


**APPENDIX A - PROPOSAL COVER SHEET
CITY OF DULUTH
RFP# 23-AA10 for Municipal Advisor Services**

| Bidder Information: | |
|-----------------------------------|-----------------------------------------------------------------------------------|
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JUNE 9, 2023

PROPOSAL TO PROVIDE MUNICIPAL ADVISOR
SERVICES TO:

The City of Duluth, Minnesota



Ehlers
3060 Centre Point Drive
Roseville, MN 55113

Municipal Advisor Registration Number: K0165
SEC CIK Number: 0001604197

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June 9, 2023

City of Duluth
ATTN: Purchasing Division
City Hall, Room 120
411 West 1st Street
Duluth, MN 55802



RE: Proposal to provide municipal advisor services to the City of Duluth, Minnesota

Ehlers is pleased to present this proposal to provide independent municipal advisory and consulting services to the City of Duluth. We believe our reputation in debt issuance and management, deep experience in financial management, economic development and redevelopment, fully integrated suite of advisory solutions, dedication to proactive client service and team-based project approach provide a compelling relationship option for the City to consider.

For nearly 20 years, Ehlers has assisted the City with its important development, redevelopment, tax increment, and housing needs. Stepping into the municipal advisor role for the City would be a natural extension of our existing work, which would allow us to provide a holistic level of service across all facets of the City's public finance and development needs. We are excited about the prospect of delivering a suite of value-added services to one of the State's most important regional centers that is steeped in history, but also poised to excel in the future.

For more than 65 years, Ehlers has helped municipal clients build strong and vibrant communities through financial planning, debt issuance and management, and economic development consulting services. In the last five years alone, our firm has:

- » Advised on nearly 2,500 debt issues totaling more than \$15 billion
- » Completed nearly 100 long-term financial plans
- » Established over 200 TIF districts and provided guidance on hundreds of economic development & redevelopment projects ranging from \$500,000 to \$640 million
- » Advised on the development of more than 4,000 affordable housing units (over 3 years)
- » Completed more than 225 utility rate studies (regulated and non-regulated entities)
- » Delivered investment advisory services to more than 150 clients with total assets under management (AUM) of \$2.2 billion.
- » Provided arbitrage consulting services to 326 clients with more than 1,750 issues under current monitoring
- » Prepared & disseminated continuing disclosures for more than 700 clients, monitoring all their respective debt issues

We believe the following factors position us as the advisor most qualified to deliver the services requested:

Our Independence. Independence is simply another way of saying **we always place your best interests above our own throughout every engagement, not just debt issuance.**

Independence has been at the heart of our firm long before it was codified in the municipal advisor rule, and we stay true to that principle to this day. Because we don't represent investors, underwriters, or private developers, you can rest assured working with Ehlers will result in solutions that deliver the highest unbiased value to you.

The City can choose to engage a municipal advisor that is affiliated with a broker-dealer (underwriter). Certainly, that firm and its advisors must provide advice that puts the City's interests above its own, which is a regulatory requirement of any municipal advisor. However, engaging a municipal advisor that is affiliated with a broker-dealer means that firm cannot underwrite the City's bond offerings. This reduces the number of potential capital providers available to you. Is it really in your interest to limit the number of firms that can buy your bonds? The City's largest cost when issuing debt is not costs of issuance; it is interest expense. As such, the City's primary objective should be to engage with a municipal advisor that presents no conflict between providing unbiased advice and affording the widest pool of bond purchasers in the marketplace.

As an independent advisory firm, Ehlers is not affiliated with a broker-dealer, and therefore will not reduce the number of capital providers available to the City. A small difference of even a few basis points can mean tens of thousands of dollars in interest expense over the life of an issue. Municipal advisors who are affiliated with a broker-dealer will state that having access to their underwriting desk is a benefit to their issuer clients. Engaging directly with underwriting desks is indeed an excellent way to gather feedback and market insight. That's why we don't limit ourselves to a single underwriting desk for information. Rather, we interact with all major underwriting desks across the country on a near daily basis, increasing our ability to seek the best possible execution for your debt issues.

Our Process. A pioneer in the municipal advisory business, Ehlers leverages our knowledge of the capital markets, federal and state law, and industry best practices to proactively guide our clients through the debt issuance and management process from start to finish. Every transaction on which we advise goes through a rigorous internal quality assurance process prior to the publication of the preliminary official statement (POS) and well in advance of the sale date. We similarly bring this level of rigor to our financial planning and economic development services. In all occasions, our client work is reviewed by one or more senior team members prior to delivery.

Our Integrated Approach. Ehlers isn't in this business simply to complete transactions. We're here to help you realize a vision and act as an extension of your organization in all aspects of our engagements. **Our integrated, best practice, high-value client service model empowers clients to collaborate with a single advisory firm for:**

- » Capital & financial planning
- » Debt issuance & management
- » Post-issuance compliance, monitoring & reporting

- » Economic development & redevelopment
- » Tax increment financing, monitoring & reporting
- » Utility rate analysis & structuring
- » Investment advisory & arbitrage consulting

We rely on our deep and knowledgeable bench strength when creating client teams. Our Senior Municipal Advisors lead each client relationship, leveraging the specialty expertise of their colleagues, including our Fiscal Consultants and Financial Analysts, Bond Marketing and Sales Team, Disclosure and Compliance Team, Investment Advisors and Arbitrage Consultants to deliver exactly the right solution - exactly when needed.

Our Performance. Our qualifications can best be illustrated by our performance. According to Bloomberg data from January 1, 2022 to December 31, 2022, **Ehlers ranks first in Minnesota and second nationally for the number of competitive bond sales advised.**

Our Client-First Values. Ehlers prides itself on transparent communication, proactive service and an unwavering dedication to helping clients deploy resources in the most efficient and effective way possible. Ultimately, we propose to provide value to the City with ongoing dialogue and idea-sharing, insightful analysis, options customized to your situation and a competitive fee structure.

Thank you for including us in this RFP process. We greatly appreciate your consideration and look forward to discussing how Ehlers can even better serve the City of Duluth.

Respectfully submitted,



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PART I:

PROPOSAL CONTENT

Goals & Objectives

We have a detailed and thorough understanding of the City's goals and objectives, as stated in the RFP sections "Project Overview" and "Project Detail." Over the last three years, Ehlers has delivered all or some of the scope of work set forth in the Project Detail section for 17 of Minnesota's 20 largest cities by population and 24 of the top 30. During that same time, we have provided the same or similar scopes of work for hundreds of municipal clients across Minnesota, and at least as many in other states. Ehlers intends to provide the City with:

- » Debt Planning & Issuance
- » Continuing Disclosures
- » Refunding & Defeasance Analysis
- » Arbitrage Monitoring, Calculations, Reporting & Audit Assistance
- » Financial Management Planning

Ehlers does not need to subcontract any of the work associated with the engagement. This ensures we retain control over all work product and its pricing, as well as quality control and the highest level of collaborative service. Arbitrage work will largely be completed out of our Roseville office. Ehlers can also provide the following scopes of work not set out in the City's RFP:

- » Utility Rate Studies & Analyses
- » Interim Finance Staffing & Project Management
- » Paying Agent Services
- » Investment Advisory Services
- » Treasury Management Consulting & Banking Services Review/RFP Assistance

We fully recognize Duluth's objective of partnering with an advisory firm whose personnel live its values and care deeply about client relationships. At Ehlers, we are passionate about what we do and truly believe in our mission of "Building Communities." Our shared experiences allow us to apply our vast technical knowledge to the unique needs of our clients in creative and novel ways. We strive to always add value, with a level of responsiveness that is unsurpassed by our competitors. Our clients expect the professionals they engage to be available and work at the speed required to effectively achieve their goals.

Speaking of goals, we are excited about the prospect of partnering with the City to meet the stated goals in the City's 2023 budget by overcoming challenges and seizing opportunities.

SECTION 1: GOALS & OBJECTIVES

The City has identified potential future funding challenges through an anticipated structural budget deficit. At Ehlers, we consistently roll up our sleeves and work with clients to develop robust, long-range funding and financing plans that seek to overcome these challenges and empower staff to drive stakeholder engagement with elected officials, businesses, and the public. While increases to Local Government Aid at the State level will help, the City will need to be the driver of closing the forecasted gap between revenues and expenses, which could include creative financing strategies. Our advisors and consultants, many of whom are former finance directors, can play an invaluable role in this area.

When it comes to housing matters, we have the best minds in the business. We have worked closely with many clients on various housing solutions, including establishing and leveraging Housing Trust Funds to great success.

Your Ehlers team can also actively engage with the City on organizational and process “re-engineering.” Our advisors and consultants with prior public sector finance and development experience have provided not only interim staffing for clients, but also assisted with reviewing organizational and staffing structures at pivotal moments in time, including systems reviews and development of implementation programs.

Finally, we have a proven track record of successfully engaging with our clients to establish financially resilient enterprise fund operations.

Project tasks will vary, depending on the circumstances presented, but we detail our processes and approach in **Section 2** of the proposal. On every occasion, we will prepare detailed schedules and milestones and then manage to those expectations.

In our opinion, the first task to be completed will be establishing a client transition plan that will unfold as soon as a contract is executed. We expect the transition plan to take a number of weeks, during which time Ehlers’ representatives will meet with City staff to make sure all duties will be fulfilled and there are no errors as workflows move from prior providers. We will deliver weekly updates with mutually agreed upon milestones. Our goal is to ensure a seamless hand off with no detail overlooked. We have done this many times before and are confident in our ability to anticipate the City’s needs.

Experience

a. Describe experience with taxable and tax-exempt issues. Describe a typical process from beginning to end.

Ehlers advises more Minnesota governmental entities on debt issuance than any other firm. This includes both taxable and tax-exempt issues. Tax-exempt obligations are far more prevalent, given that most financings by governmental entities are for a public purpose and paid from public funds, whether taxes, fees, or enterprise fund revenues. However, taxable debt must be considered on occasion for various reasons.

The elimination of tax-exempt advance refundings lead to a dramatic increase in taxable issuance during the extended period of generationally low interest rates. Even at taxable rates, economically viable advance refundings could be achieved for meaningful savings. This dynamic presented the largest increase in taxable bond issuance since the introduction of direct-pay bonds, such as Build America Bonds and various forms of Recovery Bonds under the American Recovery and Reinvestment Act. Traditionally, taxable obligations are more commonly issued for development-related projects where there is the potential for private use and private payment, or for project finance where both private use and payment are difficult to avoid. Bonds issued for Housing Improvement Areas (HIA) have grown in number the last few years, which are taxable obligations by their nature. We have assisted more Minnesota issuers with HIA bonds than any other firm and are actively working with a number of clients on these sorts of projects.

While taxable status brings higher interest cost, it's often the result of careful consideration by the governmental issuer to shift risk to a developer, a management company, or to secure a reliable source of funding like a take-or-pay arrangement for things such as parking or wastewater capacity. Airports, conference and event centers, and housing more commonly fall into the taxable or alternative minimum tax (AMT) categories. Similarly, we have suggested the use of taxable debt to finance expenditures such as land or real estate acquisition in order to retain the greatest flexibility with disposition or sale of such assets, rather than face the potential for required remedial actions related to tax-exempt obligations, some of which can be punitive depending on the economic environment.

Taxable obligations can differ dramatically in their characteristics from tax-exempt debt. There is a distinctly different investor base that is far more accustomed to corporate rather than municipal credit. While the high credit quality of taxable municipal obligations can be very attractive, they can present a higher level of illiquidity for an institutional investor. Taxable obligations are also priced differently, and optional redemption (call) features deviate from the conventions of the tax-exempt market. We will note that the market has evolved to a state where many of the customary practices of issuers transacting in the tax-exempt space have migrated to the taxable market, while there still remains substantial nuance between both domains.

Debt Planning, Issuance & Management Process

Planning & Development

Ehlers leverages deep market knowledge, strong relationships with the rating agencies, daily engagement with underwriters and commercial banks, and industry best practices to proactively guide clients through the debt issuance and oversight process from beginning to end.



Financing Plan Considerations

Ehlers collaborates with clients to ensure the following factors are incorporated into each debt issuance:

- » Legal options, tax-exemption & arbitrage considerations
- » Revenue sources identified to repay debt
- » Credit rating impact
- » Method of sale: competitive, negotiated or private placement
- » Current indebtedness & future capital plans
- » Alternatives including combined issues, delayed or accelerated principal payments
- » Parity considerations or indenture requirements
- » Refunding opportunities
- » Market conditions & direct feedback from underwriters and direct purchasers on various structures
- » Pricing structures, bidding parameters & optional redemption provisions

Credit Rating Consultation

One of Ehlers' distinguishing strengths is its relationship with the major rating agencies - relationships built on trust and credibility. We know the mechanics and nuances of each firm's methodology. In fact, we have reverse-engineered each firm's scorecard and are adept at adjusting for anticipated notching factors. We advise on roughly 300 public

offerings each year and over 150 in Minnesota, the vast majority of which are rated. As such, we are in nearly constant contact with the rating agencies and their analysts. We understand the “hot-button” issues and can readily anticipate the points of discussion that will be addressed during the rating call and rating committee review because of the level of familiarity with our issuer clients.

Ehlers’ standard approach with respect to ratings on a new debt issue is - there is no standard approach. Instead, we gain a detailed understanding of an issuer’s credit profile and the security for the issue which helps us anticipate the likely conversations with rating analysts. At times, the analyst may simply ask boilerplate general questions during the rating call. However, there may be times when certain “stressors” need to be identified and addressed with additional information or a prepared presentation. We also understand and can help you mitigate how a particular metric may lead to notching factors if not properly explained. Finally, there are instances where an almost adversarial position needs to be taken due to any number of factors. On these occasions, the rating agency relationship may be in question (i.e. “do we switch?”), or a site visit may be in order.

Bond Marketing

A well-designed bond issue takes into consideration not only the issuer’s goals and needs but also the requirements of underwriters and municipal market investors.

Market & Pricing Information

Ehlers is active in the market every day. As such, our best set of information comes from the more than 300 public offerings we advise on each year. Few firms in the country can rely on their own transactions as being representative of “the market.” This volume of work puts us in near-daily contact with all major underwriting desks in the United States and gives us keen insight into both dealer and investor demand and any shifts across the municipal market.

Ehlers uses a variety of market-monitoring tools to provide our personnel and clients with the most current, complete and relevant pricing information. They include Bloomberg, EMMA, our established network of underwriter contacts and banks, and our internal database. Using a combination of these tools helps us ensure the marketing and pricing of our clients’ bonds remain uncompromised. Our proven track-record of identifying the proper method of sale, relevant trading activity, and market trends can result in more aggressive, on-market pricing for our clients.

We also leverage communication among all our advisors and analysts to gather insight into pricing and transactional details of private market transactions so we can knowledgeably evaluate all options on behalf of our clients.

Official Statement Preparation

The quality of an Official Statement is a key factor in attracting bids for a competitive offering. Annually, we prepare hundreds of Official Statements on behalf of our clients and fully coordinate with other professionals involved in the issuance process. Ehlers’ team of disclosure coordinators works together to undertake the highest level of diligence in creating accurate official statements and secondary market disclosures.

Quality Control

For each bond sale, Ehlers conducts a comprehensive quality control process involving municipal advisors, disclosure coordinators, financial analysts and investment and arbitrage specialists. We hold a Quality Control (QC) meeting to review and analyze the bond structure, terms, market rate estimates, sale parameters and federal and state statutory considerations.

We are highly-experienced with the level of communication market participants require to be attracted to our clients' debt issues. We will serve as the City's lead agent in all communication and coordination with underwriters and potential investors. We provide market participants with timely and accurate offering documents and legal instruments. We post the issuer's Official Statement on our website, www.ehlers-inc.com/bond-sales, and disseminate it with other essential information about the City's issue to regional and national underwriters and information repositories.

Bond Sale

For competitive issues, we:

- » Distribute sale details & preliminary official statements to national & regional underwriters as well as various information repositories for posting
- » Arrange for the method, time & place for the receipt of bids/proposals
- » Analyze each bid for compliance with the terms & conditions
- » Compile the bid tabulation & make a formal recommendation regarding the award or rejection of such bids/proposals
- » Communicate throughout the day with the issuer & other team members on the status of the process
- » Attend any necessary public meetings to present the sales results & answer questions

Given the volume of bond issues conducted in our offices each year, we have developed a seamless process for conducting and executing a sale. Time matters to underwriters and the other professionals involved in a debt issue, and we take pride in our ability to meet and exceed expectations on behalf of our clients.

For negotiated issues, we:

- » Evaluate & prioritize desired financing characteristics
- » Assemble the financing team, including assistance in preparing & evaluating Request for Proposals for professional services
- » Solicit & evaluate proposals from investment banking or placement agent firms
- » Review underwriter's disclosures
- » Assist the issuer with underwriter/capital provider due diligence efforts
- » Negotiate & establish material terms, conditions and covenants
- » Assist with drafting all legal & disclosure documents
- » Assist with the rating process, including pitch book & strategy

SECTION 2: EXPERIENCE

- » Evaluate & recommend credit support options/alternatives
- » Review pre-pricing comparables with the issuer & underwriter
- » Establish preliminary pricing & sales strategy before order period
- » Finalize bond size & structure on day of sale, including analysis of couponing alternatives
- » Review bond purchase agreement
- » Complete a post-pricing analysis to review quality of underwriting & to certify tax-exempt status
- » Coordinate all closing activities with the underwriter & other parties

Bond Closing

Ehlers' goal is to make bond closing as "invisible" as possible for our clients. We coordinate the closing with all parties - bond counsel, Depository Trust Company, and the purchaser - to minimize your workload. Our Investment Services team assists with preparation of draw schedules and the creation of investment options, as requested. Ehlers delivers a concise closing document that summarizes important details in one place for convenient reference and sets forth repayment requirements for the bonds.

Post-Issuance Debt Management

Bond Proceeds Management

Ehlers' investment advisors construct and manage investment portfolios that seek to optimize allowable earnings, maintain liquidity, and comply with federal regulations. We believe appropriately managing debt proceeds throughout the lifecycle of a project is as important, if not more so, than the debt issuance itself. Our Investment team also provides bidding agent services for advance and current refunding escrows, as well as cash defeasance. Services include:

- » Policy development & evaluation
- » Strategy development & implementation
- » Cash flow analysis & forecasting
- » General & Enterprise funds investments
- » Compliance monitoring

Continuing Disclosures (Dissemination Agent)

Ehlers provides disclosure services for several hundred clients consisting of thousands of underlying issues. In 2014, we responded immediately to the SEC MCDC program by hiring additional staff and conducting our own research prior to the September deadline for underwriters to report. Our efforts were able to prevent underwriters from reporting dozens of our clients to the SEC because the underwriters either had faulty data or did not understand the evolution of disclosure rules since 1995 (i.e. limited disclosure vs. full disclosure).

Ehlers' disclosure group is led by Diana Lockard, who has more than 30 years of experience in preparing official statements and secondary disclosure reporting. Ehlers' solid reputation with the underwriting community is a result of providing accurate and timely disclosure for hundreds of issuers and well over a thousand issues each year.

Arbitrage Rebate Management

Please see our response to **question k.** in this section.

We have also included **Appendix A** that sets out a sample of our "Issue Onboarding" guide that gives our client's insight into the competitive bond issuance process and which parties are responsible for the various steps along the way.

b. Describe innovative examples of debt planning and issues that complied with Minnesota statutes and laws.

Ehlers approaches each debt issuance with an eye to innovation, while working within the statutes to meet client needs. While we do this for every client, we offer two examples for the larger cities of Minneapolis and St. Paul.

Ehlers has advised the City of St. Paul under a number of debt advisory and other engagements in recent years. We provided fiscal consulting to help the City establish an area-wide stormwater charge for the Midway Redevelopment Area. In 2020, we worked closely with finance staff and bond counsel on crafting a novel approach to financing stormwater improvements in the City's Highland Bridge redevelopment area (previously the Ford manufacturing site). Given the City's desired financing characteristics and the nature of the revenue stream, we arrived at a new credit for the City with Ehlers recommending a direct bank purchase. The successful outcome saw the City issue its Ford Redevelopment Sit Special Storm Sewer Charge and Subordinate Sewer System Revenue Bond and achieve a 10-year, fixed-rate of 1.80% with the issue subject to pre-payment any time, allowing the City to apply lump sum charges to the bonds as it sees fit in an effort to amortize the debt as rapidly as possible. In 2021, we blazed a new trail with the City through the issuance of what we believe to be the first pure assessment revenue bond without a G.O. pledge in the State of Minnesota. This financing similarly provided funding for infrastructure throughout the Highland Bridge area.

Throughout 2019 and 2020, the City of Minneapolis experienced material declines in economically sensitive revenue streams, including sales and gross receipts taxes on food, beverages, and lodging. The City used a portion of this net sales tax revenue to service its outstanding Convention Center Bonds. When it was determined the Convention Center would not be able to draw on sufficient reserves to support debt service in the face of impaired sales tax revenue, Ehlers worked closely with the City to explore all reasonable alternatives. Through some modeling and sensitivity analysis, it was determined that a debt restructuring would be the preferred approach. Ehlers suggested refunding the final \$26 million maturity due in December of 2020 and recasting its structure to a five-year bullet maturity with interest only payments. In order to gather further intelligence on debt

structure, we canvassed underwriters to determine a suitable and marketable par call feature for the taxable bonds that would balance the City's desire for flexibility in its future approach, while also satisfying investor's appeal for call protection. We arrived at a recommendation for a two-year par call that afforded the City a guaranteed five-year window to regain the Convention Center's financial footing with the ability to accelerate repayment of the debt should conditions materially improve. The Series 2020 Taxable Convention Center Bonds were sold competitively, receiving six bids and a TIC of 0.5999%. The City recently established a sort of sinking fund for the bonds, investing those dollars in securities yielding materially higher than the 0.60% coupon for the bonds, resulting in a reduction in net debt service without establishing a defeasance escrow or otherwise refunding the bonds partially or in full.

We caution that innovation should never come at the expense of pragmatism. Too often, issuers seek novel approaches that are creative in theory but can't be practically implemented or create unanticipated risks that manifest in the future. True innovation is directly correlated to the specific circumstances of a project, the interest rate and economic environment, legal constraints, or the inability to bear certain risks. Ehlers balances creativity and practicality when tailoring our clients' financing solutions.

c. Describe experience and familiarity with federal law and tax law applicable or potentially applicable to financings by the City, such as the new Issue Price Rules.

The U.S. Treasury Department released its new rules regarding establishing the "issue price" of new issues of tax-advantaged bonds in December of 2016. Ehlers quickly adapted to the changes in tax law, revising standard Notice of Sale and bidding parameters language for competitive municipal securities offerings. Our revisions were based on engagement with bond attorneys and underwriters to understand the practical implications of the new issue price rules and a point of view that sought to ensure our client's transactions would not be compromised by unnecessary or uninformed bidding restrictions.

Our assigned team of advisors has well over 50 years of combined experience with tax-exempt issuers and bond counsel from across the country, giving us expansive insight into federal and tax laws governing the issuance of municipal securities. We rely heavily on bond or tax counsel for their interpretation of relevant tax laws and leverage our internal group of arbitrage experts when reviewing multi-year financing strategies and considering reinvestment options for borrowed proceeds. When appropriate, we use our broad experience to challenge conventional opinions of some counsel.

Ehlers has used its knowledge of federal securities law and regulatory guidance to develop policies and procedures designed to support and document our clients diligence efforts when issuing municipal securities. The Managing Director of our Minnesota Advisory Team and one of the advisors assigned to Duluth's client service team, Brian Reilly, is a member of the Disclosure Industry Group (DIG) as a representative of the National Association of Municipal Advisors (NAMA). The DIG was spearheaded by the Government Finance Officers Association (GFOA) to provide a forum for industry stakeholders (bond attorneys, underwriters, municipal advisors, etc.) to collaborate on best practices in disclosure and

responding to regulatory proposals and issues. Mr. Reilly was also recently a panelist at the Securities and Exchange Commission's (SEC) 2023 Municipal Securities Disclosure Conference, where he discussed the role of a municipal advisor when engaged for a new issue of municipal securities, as well as primary and secondary disclosure matters.

d. Describe experience with Minnesota laws and the governing statutes relating to governmental bonding authority.

Ehlers personnel have extensive knowledge of all laws governing bond authority for governmental entities and their component units. We have advised our clients on issuing bonds under nearly every available statute in Minnesota. Charter authority is specific to the entity but is similarly a base of knowledge an effective advisor must consider. Our technical aptitudes expand to nearly all provisions of statute related to bonds, not just issuing authority. It should also be noted that federal tax law sometimes dictates the procedural aspects of authorization for a new issue of tax-advantaged bonds. The City should engage an advisor with a mastery of statutory provisions and the ability to collaborate with bond (and any other) counsel on the issuer's behalf when researching and applying state law in the areas of debt issuance and management.

Not only does Ehlers pride itself on its technical knowledge and creative applications of state statute, but we regularly advocate on behalf of our clients each legislative session to revise or otherwise amend statute to enhance the financing tools of all governmental entities. Ehlers is a founding member of the Minnesota Institute of Public Finance (MIPF), an organization comprised of advisors, underwriters, commercial banks, and bond attorneys. MIPF annually crafts a legislative package of technical corrections and amendments to existing law that seek to improve the conditions for entities like the City. Just this year, Ehlers suggested a change to statutory provisions associated with General Obligation Equipment Certificates that extends the maximum maturity for far more eligible purposes. This section of law generally limits the maximum stated maturity for an issue of Certificates to ten years from the date of issue. The law was amended a few years ago to extend the maximum maturity to twenty years for replacement of refrigeration systems at ice arenas. As the costs of equipment have increased dramatically and technological improvements have increased useful lives of many assets, longer amortization periods were needed to provide affordability, especially for public safety equipment and apparatus, such as fire trucks and other emergency services vehicles, and facilities improvements related to efficiency and renewable energy. As an aside, we also suggested expanding the investment authority for time deposits (CD's) to include those of credit unions that are insured by the National Association of Credit Unions. Both the borrowing and investing provisions were passed out of the Legislature and are now in front of the Governor for signature.

We are regularly called upon by the League of Minnesota Cities Intergovernmental Relations (IGR) team to review and consult on proposed legislative changes, which includes periodically testifying before the State's legislative bodies. In fact, we believe no other firm is more active legislatively for the benefit of governmental entities in the State of Minnesota, including collaborating with and advocating for our clients' requests for special legislation and Local Option Sale Tax.

e. Describe working relationships with bond counsels, underwriters, bond rating agencies, and other critical financing participants.

Ehlers is in near daily contact with bond counsels, all major underwriting desks, rating agencies and other financing team participants across Minnesota and the United States.

We are well known and highly regarded for assembling all members of the financing team *early* to discuss the project at hand, develop financing options, and “front-end” any potential transactional complications. While we detail our approach to collaborating with these professionals in **Section 2, question a.**, we also note the following:

- » We have a decades-long working relationship with the Fryberger law firm and the City’s primary bond counsel, Bob Toftey.
- » Nearly 80% of Ehlers’ total bond volume is rated by one or more nationally recognized rating agency, which results in continuous contact with rating analysts and those firm’s commercial representatives.
- » We regularly invite rating agency representatives, municipal and bond attorneys, commercial bankers, and those involved in municipal underwriting to speak at our annual Public Finance Seminars in Minnesota and Wisconsin.

We don’t want to overlook local counsel and other project partners in this regard. Our reach affords us direct interaction with municipal attorneys across the state, as well as dozens of consulting engineers and other professionals. We believe in a spirit of collaboration amongst professionals for the good of our mutual clients.

f. Describe experience with competitive bidding for public entities and fixed-rate financing.

At Ehlers, we believe our experience and qualifications are best demonstrated by our performance. **According to Bloomberg data from January 1 - December 31, 2022, Ehlers ranks first in Minnesota and second in the nation for number of competitive bond sales advised.** We estimate 95% of all the issues we advise on are fixed-rate in nature, with the rest being subject to periodic reset or variable rate.

Advisors should not limit interactions with the underwriting community to just work on negotiated offerings. There is an equal opportunity to solicit input on issues that will be sold competitively. Ehlers regularly leverages the relationships our Bond Sales Team has with underwriting desks across the country.

For issues where comparable new issue activity may not be as prevalent, we may seek pricing indications from a dealer for preliminary sizing and structuring purposes. When more stringent bidding parameters must be considered, we frequently solicit feedback on whether or not we may lose one or more bidders and any corresponding pricing impact(s) of those parameters. We do the same when trying to assess the impact(s) of optional redemption features.

Certain issues require more in-depth consideration of timing when selling bonds competitively. There are segments of the market more, or less, focused on by the larger underwriting desks based on size, structure and rating. We may solicit underwriter thoughts on getting in front of, or behind, notable sales during a week, on a particular day, or even the time of day.

g. Describe experience making recommendations to enhance bond marketability.

Please see our response to **question f.** in this section for our discussion on enhancing marketability on competitive sales in a more general context.

As an example of how we might consult with Duluth on this specific aspect of our advisory engagement, we offer the following thoughts after review of the City’s 2022 Official Statement:

The vast majority of the City’s debt outstanding was originally issued in amounts of \$1 million to \$5 million in total principal. We suspect this is a function of trying to segregate repayment sources to specific debt issues. While this may have some administrative value, the City is paying higher all-in costs for its debt portfolio as a result.

We recommend the City consider combining its various capital financing activities into a single issue, where appropriate, for a variety of reasons. We regularly combine statutory authorities for G.O. debt into a single issue. We then craft detailed repayment schedules that allow our clients to easily track these allocations by statutory purpose and/or repayment source. Each purpose has its own respective principal and interest schedule that aggregates to a total for that debt series. This sort of posture has the added benefit of creating larger issues with individual maturities in greater dollar amounts, thus making those issues more marketable to underwriters and investors alike. In the same vein, the City would likely incur lower administrative costs over time, such as paying agent (paid per issue) and potentially disclosure fees.

h. Describe experience making recommendations to maintain current or higher debt rating.

Please refer to our response to **question a.** (**pages 10-11**) in this section for a detailed discussion of our experience with credit rating recommendations for Minnesota clients. More specifically, We reviewed the City’s most recent Official Statement and the associated Moody’s Credit Opinion, which includes the scorecard factors. Based on our observations, we’d like to make a suggestion. Many of the factors where the City scores in the “Aa” category are not in the City’s direct control, such as socio-economic factors like percent of median income to the national average. There are a series of factors, all of which reside in the “Debt and Pensions” section, where the City scores in the “A” category and are listed as potential stressors that could lead to a downgrade. We think some additional review of Moody’s underlying data with respect to “Net Debt” is warranted. When Moody’s metric for total debt outstanding is compared to the City’s debt paid by revenues, it strikes us that perhaps Moody’s may not be calculating the City’s net debt

statistics correctly. Self-supporting debt not paid by property taxes should be removed from these metrics, but we can't be certain that's currently the case without further inquiry. You'll note that the amount of "leverage" in terms of total liabilities and the budgetary impact are generally viewed as credit negatives, so anything to improve these statistics with respect to the City's debt profile would be worthwhile.

Please also see our response to **question I.** in this section.

i. Describe experience coordinating, preparing, and presenting to rating agencies, elected officials, potential purchasers, and other agencies.

The advisors at Ehlers spend a tremendous amount of time interacting directly with the elected and appointed officials that occupy the seats of governing bodies. When we work with a City, we work for the Council. Establishing trust is paramount and we approach every conversation at their level to make what can be complex information approachable and understandable. These individuals need confidence to make the important decisions of government, some of which will endure for generations. We take very seriously the duty we owe to these leaders and always keep it front of mind. We also coordinate with staff extensively leading up to discussions with elected officials, so that the proper information is presented to allow for honest discourse and efficient use of time, as well as addressing specific issues that may pose an impediment to decision-making. Our experience with issues affecting comparable clients allows us to anticipate these conversations and prepare, accordingly.

We assist our issuer clients with hundreds of rating calls each year. The level of interaction with rating analysts is a function of circumstance. Our approach begins with informed discussions with our clients about rating factors and what will drive the viewpoint of not only the analyst, but the rating committee. Preparing formal presentations as part of the rating process should not be viewed as a marketing and promotional exercise. There should always be a level of focus and precision when seeking to emphasize certain aspects of the issuer's rating profile. Providing too much information can be its own problem and beg questions we may not want to delve deeply into. Is it clear there isn't sufficient understanding of some fine detail? Is the issuer embarking on an ambitious program of capital improvements or redevelopment that will temporarily skew rating metrics? The circumstances will drive the thrust of any presentation. On occasion, an in-person visit from the rating analyst(s) can be invaluable and enlightening.

For negotiated issues and private placements, we leverage the entire finance team when direct investor engagement is required. We work collaboratively with the deal team, including the investment bankers at the underwriter, to craft credit packages, road show presentations, investor outreach and informational pieces, as well as provide responses to questions the underwriter's sales team receives from potential investors during the marketing and pre-pricing phase.

j. Describe experience with assessing existing bond policies and procedures and recommendations on financing strategies.

SECTION 2: EXPERIENCE

Recommendations associated with financing strategies are entirely circumstantial and specific to the client, the project, and other important factors. We would be happy to react to any scenario the City may wish to provide as a part of its RFP process and the final interview phase.

Our work with clients on policies and procedures is extensive, as financial policies are the backbone of sound governance and provide a framework for effective decision-making. We routinely assist with the preparation and review of various financial policies, including:

- » Fund balance
- » Debt management
- » Internal loan
- » Post-issuance (policy & procedure)
- » Business subsidy & other development-related
- » Budget
- » Investment
- » Conduit
- » Utility billing & remittance

There are certain other areas where our team could be consulted for assistance, given their strong and expansive public finance backgrounds in finance and community development.

We have prepared hundreds of post-issuance policies and procedures for our clients, which we have inventoried in our database. This allows us to push out suggested amendments based on any changes in securities disclosure requirements and arbitrage regulations or other changes to the tax code. Our arbitrage and disclosure teams often engage directly with clients on procedures that better match their organizational environment. These interactions sometimes transition into direct training opportunities for individuals or entire departments.

Maintaining a comprehensive set of policies and procedures is invaluable and is also a component of the Financial Management Assessment portion of the City's credit rating.

k. Describe experience with performing arbitrage rebate liability calculations, written reports describing calculation methods and supporting documentation, completing IRS 8038-T, and determination of any amount due to the IRS as required by law.

Ehlers has provided arbitrage consulting services to issuer clients for over 15 years. We currently manage approximately 326 relationships and actively monitor more than 1,750 issues. We complete hundreds of arbitrage reporting, rebate and audit engagements each year for cities, counties, schools, state authorities, non-profit healthcare issuers, and conduit borrowers.

Each written arbitrage report fulfills client obligation under Section 148 of the Internal Revenue Code, as well as applicable Treasury regulations. The report contains the liability determination, calculation methodology, and supporting documentation vis-a-vis cash flow exhibits. Please see [Appendix B](#) for a sample client arbitrage report.

When IRS 8038-T forms are due, we carefully complete it as a paid preparer and submit

the final form, along with specific instructions, to the client. Ehlers also maintains the submitted records on behalf of clients for record retention purposes.

We explore every possible tax avenue to minimize or eliminate the amount of arbitrage paid to the IRS, while ensuring each issue we analyze remains in compliance with the Internal Revenue Code and Treasury Regulations.

I. Describe experience advising on financial planning and future debt issuances.

Ehlers takes a collaborative, inclusive and effective approach to long-term financial planning. In the last five years alone, our firm has completed 100+ long-term financial plans for clients of various sizes. Ehlers' Financial Management Plan ("FMP") model is a 10-year, long-term operating budget and capital improvement plan with a funding strategy developed through facilitated discussions with staff and Council. It helps guide the City's financial future and determine how the City can fund its strategic priorities, including capital and staffing needs.

As part of developing the FMP, Ehlers typically engages the Council in facilitated discussions. These workshops layout the policy and financial issues, overview the projections to meet desired outcomes/strategic priorities, and develop consensus on what the Council deems affordable for the community. By understanding the financial impacts of decisions and actions, the Council can establish spending priorities and develop consensus about an acceptable level of property taxes and other revenues. The FMP provides the Council and the public with a roadmap to meet strategic priorities and an understanding how today's decisions will affect constituents in the future. In addition, Ehlers analyzes the potential impact issuance of debt may have on the City's credit rating. This careful analysis, along with open communication with the rating agency ensures the City can issue the projected debt and complete its capital projects all while maintaining their rating.

Ehlers recently worked with the Cities of Cottage Grove and Burnsville to plan for significant investments in roads, parks, city facilities and deferred maintenance within their respective communities. In addition, both communities had a need to increase staffing to meet service level needs. Undertaking the long-term planning exercise was critical to understanding (i) how past decisions on the tax levy informed future levy impacts; (ii) how they could afford to undertake all the respective capital and staffing needs; (iii) how to pay for everything at an affordable level determined by the Council; and (iv) how to message the FMP outcomes to the general public in a simple to understand way.

For both of these cities, the respective Councils came together to reaffirm their strategic priorities for facilities, capital equipment, roads, maintenance, economic development and staffing needs. Cottage Grove is adding 17.5 FTEs over the next four years, bonding for \$115M for various projects and gradually increasing the EDA levy from \$125,000 to the statutory maximum of \$1.5 million for economic development and redevelopment purposes. Burnsville is adding 35.5 FTEs over the next few years, bonding for over \$226 million for various projects and increasing the EDA levy from \$1 million to the statutory

maximum of \$2 million for economic development and redevelopment purposes. This affirmation by the elected officials of each city resulted in double digit levy increases for consecutive years that tempered and leveled in future years. Staff now has a document that they can utilize for the annual budget process which provides everyone a roadmap to meet their respective city's strategic objectives.

Another example is Ehlers work with the City of St. Louis Park over the last decade to plan for significant facility investments within the community. The City was in need of replacement and/or renovation of most of its major city facilities as well as infrastructure upgrades. Undertaking a long-term planning exercise was critical to understanding what the city could afford to take on in terms of project scope for each facility, timing of the improvements and how to pay for each project.

During the last decade, that planning exercise resulted in the issuance of over \$100 million in general obligation bonds to help pay for improvements within the City. These improvements include the City's ice arena and outdoor recreational facilities, renovation and expansion of City Hall, new sidewalks, trails, and fiber optics through the City's "Connect the Park" program, rehabilitation of the Westwood Hills Nature Center, funding for Southwest Light Rail enhancements, bridge work, pavement management and utility investments.

Throughout this process, Ehlers similarly analyzed the potential impact issuance of this debt might have on the City's credit rating. This careful analysis, along with open communication with the rating agency ensured the City could issue this debt and complete its capital projects all while maintaining its AAA rating.

m. Describe experience analyzing industry and economic trends that may affect debt issuances.

Please see our response to **question a. (page 11)** in this section for a full discussion on our experience relative to the industry and economic analyses conditions and their impact on debt issuance.

n. Describe experience reviewing bond issues for refunding opportunities along with the determination of savings, proposed structure of the refunding issue, and estimated costs of issuance.

Ehlers monitors refunding opportunities for all active clients, which number well over a thousand entities. Our Financial Analyst team prepares refunding analyses for all outstanding issues for all clients on at least a quarterly basis. The analysis reviews for both current and advance refundings, depending on the respective call date for each issue. The refunding analyses are reviewed by the lead advisor and then transmitted directly to the client in an easily digestible summary format that speaks to the economic viability of any refunding, or lack thereof.

All savings estimates, if any, are shown as net present value, inclusive of any costs of

issuance. Refundings are run on the assumption of equal annual savings, but can be structured differently if the client requests refinement. These analyses also lend themselves to discussions around full or partial cash redemptions, rather than just refinancing. Refunding reports can be produced more frequently than quarterly, and it is quite common to focus on specific issues with sensitivity analyses during more volatile interest rate environments.

Our team will also prepare various scenarios to compare the cost/benefit of advance refunding versus waiting until a current refunding is an option, which obviously has more value if and when tax-exempt refundings might return as an alternative under the tax code. The analysis can be expanded to include different and more complicated structures like “Cinderella” bonds or forward purchases. We have included a sample of a client refunding report as [Appendix C](#).

o. Describe experience providing models for long-term capital planning.

Please see our response to [question I](#). in this section.

p. Describe any newsletters, trainings, or other informational material routinely provided to clients.

One of the most important cultural aspects of Ehlers is a deep-rooted motivation to educate those around us. Teaching is the best learning tool and we hone that tool through our work with our clients, as well as internally through our senior advisors and consultants supporting their colleagues development and growth plans. We similarly help our clients respond to inquiries directly from bank purchasers.

Ehlers has hosted an annual Public Finance Seminar for over 30 years, with sessions and content focused on finance and development spanning two days. This paid event typically sees over 200 attendees, including both local governments and industry professionals. We regularly prepare and disseminate client alerts on important and timely topics, such as legislative changes and updates. Ehlers provides both paid and free virtual learning opportunities on nearly every facet of public finance. For over a decade we deployed a team of authors and editors to draft a bi-weekly market commentary that was distributed to thousands of recipients. That effort has evolved into our current quarterly newsletter, which was launched in December of 2022. We also post a bi-weekly investor and issuer update to our public website with summary data and information that is easily digestible. All of the above have specific focus on providing actionable information and insights to clients in the markets we operate, rather than national and generic in perspective. We regularly provide in-person training to clients on almost anything finance-oriented. This ranges from one-on-one interaction to entire departments on specific topics, including resources that can be left behind for future reference.

Personnel

a. Identify personnel who will be responsible for providing debt issuance and financial advising services to the City and describe the role that each individual will play. Include name, title, office location, length of time working in municipal advising, length of time at the current firm, and resume. Identify how personnel proposed for these services were involved with the services listed under “Experience” in the preceding section.

Ehlers recommends a 12- member professional team to fulfill the City’s scope of work. All information required to accurately respond to this question follows below:

MUNICIPAL ADVISORS

Jason Aarsvold

Senior Municipal Advisor & Primary Contact
Debt Planning, Structure & Issuance, Economic Development & Financial Planning

Stacie Kvilvang

Senior Municipal Advisor
Debt Planning, Structure & Issuance, Economic Development & Financial Planning

Brian Reilly, CFA

Senior Municipal Advisor | Managing Director
Debt Planning & Structure, Bond Proceeds Investment

Keith Dahl

Municipal Advisor
Debt Support, Economic & Housing Development

PROFESSIONAL STAFF

Alicia Gage

Senior Financial Analyst
Debt Structure & Monitoring Analysis

Nha Nguyen

Public Finance Analyst
Bond Marketing & Sale

Diana Lockard

Operations Director
Official Statement Continuing Disclosures

Jeanne Vogt

Senior Fiscal Consultant
Financial Management Planning & Fiscal Studies

BOND PROCEEDS & ARBITRAGE MANAGEMENT STAFF

Ryan Miles, CPFIM

Investments Managing Director
Investment Policy, Strategy & Portfolio Creation

Matt Tourville

Investment Adviser
Portfolio Creation & Management

Stephen Broden

Arbitrage Managing Director
Arbitrage Rebate Monitoring & Reporting

Joel Melstrom, CFA

Senior Arbitrage Consultant
Arbitrage Rebate Monitoring & Reporting

As mentioned in our transmittal letter, instead of assigning a single advisor to manage client relationships and day-to-day needs, we take a team approach to ensure we’re delivering the most appropriate solutions and technical expertise in the most effective and cost efficient way. Our philosophy and commitment is simple: **We’re here for you whenever and however you need us.**



Jason Aarsvold

Senior Municipal Advisor | Primary Relationship Contact

Jason serves as a Senior Municipal Advisor for Ehlers' Minnesota Team. He brings more than two decades of municipal development and finance experience to his role with the firm. Jason has analyzed and negotiated some of the most complicated economic development and redevelopment projects in Minnesota, navigating complex financial issues and creating new, innovative community solutions. One of Jason's greatest attributes is his ability to demystify the complexities of the economic development process for his clients. He unites community leaders, developers and residents, guiding them through program development with his strong market knowledge and public finance expertise. **Specific to the services listed in the RFP's "Experience" section,** Jason has been deeply involved in all aspects of debt planning and issuance, collaborating with financing teams, and communicating with elected officials and the public. Jason also served as a co-lead advisor for the Cottage Grove, Burnsville, and St. Louis Park projects we referenced.



Stacie Kvilvang

Senior Municipal Advisor

Stacie is a Senior Municipal Advisor with our Minnesota City Team and has been active with the firm since 2002. She advises local governments and public agencies in the design and implementation of financial solutions that help communities bring their visions to life. Prior to joining Ehlers, she amassed 10 years of first-hand local government experience working for one of the largest Twin Cities suburban communities. One of Stacie's greatest contributions to Ehlers and our clients is her extensive background in all aspects of the public approval process for development and redevelopment projects and her understanding of development financing and costs from the private side of transactions. **Specific to the services listed in the RFP's "Experience" section,** Stacie is highly regarded for her experience in all aspects debt planning and issuance, collaborating with financing team professionals, financial management planning, and communicating with elected officials and the public. She also served as the co-lead advisor for the Cottage Grove, Burnsville, and St. Louis projects we referenced.



Brian Reilly, CFA

Senior Municipal Advisor | Managing Director | Investments President

Brian is a Senior Municipal Advisor and works with local units of government, special districts, authorities, and public agencies in the areas of debt issuance, fiscal planning, special studies, economic development and tax increment. He has advised clients on billions of dollars in debt issuance and also has experience with non-profit and municipally owned healthcare financing. He currently leads Ehlers' Minnesota Municipal Team as one of the firm's Managing Directors and serves as the President of our Investment Management Team. Brian has been with Ehlers since 2003. **Brian has been intricately involved in executing and overseeing the work of all areas listed in the "Experience" section of the City's RFP.** He also served as the lead municipal advisor for the St. Paul and Minneapolis projects we referenced.



Keith Dahl

Municipal Advisor

Keith joined Ehlers in 2019 and currently serves as a Municipal Advisor with our Minnesota Municipal Finance Team. His prior direct experience in local government, economic development and housing development gives him keen insight into the opportunities and challenges his client communities face. Keith displays a strong understanding of public financial assistance and is able to distill complex information into easy-to-understand terms. **Specific to the services listed in the RFP's "Experience" section,** Keith is routinely involved in supporting debt planning, structure, issuance and management activities. He also works closely with clients on financial management and capital improvement plans.



Alicia Gage

Senior Financial Analyst

Alicia is a Senior Financial Analyst with our Minnesota Team. Prior to joining Ehlers in 2011, she served as a Municipal Finance Project Manager working with local governments in Iowa, Kansas, Minnesota, Missouri, North Dakota and Wisconsin for more than a decade. She leverages extensive experience with financial analysis software to develop tailored models that exceed our clients' expectations. Alicia helps governmental clients construct and implement long-term debt management strategies. Her special areas of expertise include debt structure and documentation, refundings and cash defeasances, multi-issue and multi-purpose debt structures, and financial analysis using Munex and Excel. **Specific to the services listed in the RFP's "Experience" section,** Alicia is most involved with debt structure development, refunding and defeasance analyses, and market and economic conditions monitoring and analysis.



Nha Nguyen

Public Finance Analyst

Nha joined Ehlers in 2021 and is a Public Finance Analyst who coordinates all aspects of bond sales to help Ehlers' clients obtain seamless transaction execution. He collaborates with underwriters, coordinates competitive bids on sale day and completes closing documentation. Prior to joining the firm, Nha worked for Western National Insurance in Commercial Lines Underwriting for approximately five years. **Specific to the services listed in the RFP's "Experience" section,** Nha is involved in analyzing market and pricing information, generating investor interest in upcoming issuances, and completing the bond sale process.



Diana Lockard

Operations Director

An active and highly-valuable member of Ehlers' staff since 1984, Diana is our Operations Director, responsible for the coordination of work processes of the Disclosure and Bond Sale teams. She directly oversees the preparation of Official Statements and related legal documents, as well as the sale of bonds and closing activities. Diana also manages the work flow and staff for continuing disclosure and paying agent services. **Specific to the services listed in the RFP's "Experience" section,** Diana is most intricately involved in the preparation of the official statement, quality control, as well as bond sale activities and continuing disclosures.



Jeanne Vogt

Senior Fiscal Consultant

Jeanne works on our Minnesota Municipal Finance Team. She partners with cities, townships, counties, public utilities and special districts to develop and implement long-term financial planning, particularly in the area of sewer and water rates studies. Prior to joining Ehlers in 2008, she worked for more than a decade as an Accountant for Ramsey County and most recently as Finance Director for the City of Vadnais Heights. Clients rely on Jeanne for her general accounting expertise, as well. She regularly assists her clients with budgeting, bond accounting and audit preparation. **Specific to the services listed in the RFP's "Experience" section,** Jeanne is deeply involved in financial management planning and fiscal studies.



Ryan Miles, CPFIM

Senior Investment Adviser | Managing Director

Ryan joined Ehlers in 2018 as a Senior Investment Adviser, bringing over 10 years' financial and investment management experience to that role. As Managing Director, he oversees our Investment Advisers, client service personnel and trading desk activities. Ryan holds the Series 65 license and is a Certified Public Funds Investment Manager (CPFIM). **Specific to the services listed in the RFP's "Experience" section,** Ryan works with our Municipal Advisors early in the debt planning process to develop construction project draw-down schedules, create investing strategies that may reduce the amount of debt issued, and create portfolios that seek to create additional sources of income and maximize allowable interest earnings.



Matt Tourville

Investment Adviser

Matt Tourville is an Investment Adviser serving Ehlers' local government and school district clients. He brings more than 15 years of investment and municipal bond trading and market analysis experience to his role, most recently serving as an Analyst and Trader with a Minnesota-based advisory firm. Matt holds a Master's degree in Financial Mathematics and is a Series 65 licensed Uniform Investment Adviser. **Specific to the services listed in the RFP's "Experience" section,** Matt is most involved in building and managing bond proceeds portfolios that seek to maximize interest earnings, while ensuring the liquidity needed to meet project cash flow needs.



Stephen Broden

Senior Arbitrage Consultant | Managing Director

Stephen brings more than 13 years' experience providing arbitrage calculations and bond compliance training to his role as a Senior Arbitrage Consultant and Managing Director. Prior to joining the firm in 2018, Stephen managed the national arbitrage practice at Arbitrage Compliance Specialists, Inc. and spent an additional decade working in the financial services industry. His proactive approach to arbitrage compliance guides clients through the complexities of Internal Revenue Service reporting requirements and rebate analysis. **Specific to the services listed in the RFP's "Experience" section,** Steve is instrumental in collaborating with Ehlers' municipal and investment advisory teams to establish arbitrage monitoring protocols, prepare required reporting, advise on arbitrage rebate management, and guide clients through the IRS examination process.



Joel Melstrom, CFA

Senior Arbitrage Consultant

Joel joined Ehlers in 2019 as a Senior Arbitrage Consultant. Previously, he held a managerial position with a nationally recognized arbitrage firm where he provided arbitrage consulting and related bond compliance services to issuers across the nation for more than 10 years. **Specific to the services listed in the RFP's "Experience" section,** Joel is instrumental in collaborating with Ehlers' municipal and investment advisory teams to establish arbitrage monitoring protocols, prepare required reporting, advise on arbitrage rebate management, and guide clients through the IRS examination process.

b. List senior staff hires and departures over the last three years. For departures, indicate the reasons.

In mid-2021, Ehlers Companies President Jeff Eaton made the decision to retire. After considering completing a full external search for a new corporate leader, our Board of Directors elected to promote-from-within and elevated Greg Crowe, a long-standing Managing Director within the firm, to Ehlers Companies President - only the fourth individual to fulfill that role since our company's inception in 1955. Mr. Crowe assumed that role on January 1, 2022 and has enjoyed a highly successful transition.

Over the last three years, our Minnesota-based municipal advisory team has experienced meaningful net growth in headcount. During this time, one senior advisor transitioned to part-time as she phases into full retirement within the next six months. Conversely, we have added three fiscal consultants, one of whom focuses exclusively on providing interim staffing, and three new advisors. We take seriously the commitments we've made to our clients and great pride in our mentorship of the next generation of the firm. There have been no other departures from our Minnesota advisory team during this period.

References

Ehlers invites you to contact the following references:

The City of St. Paul, Minnesota

Sara E. Brown

Treasurer

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The City of Burnsville, Minnesota

Jennifer Rhode

Chief Financial Officer

jennifer.rhode@burnsvillemn.gov

100 Civic Center Pkwy, Burnsville, MN 55337: 952-895-4476

The City of Woodbury, Minnesota

Jason Schirmacher

CFO | Controller

jason.schirmacher@woodburymn.gov

8301 Valley Creek Road, Woodbury, MN 55125: 651-714-3516

The City of Maple Grove, Minnesota

Greg Sticha

Finance Director

gsticha@maplegrovmn.gov

763-494-6320

Heidi Nelson

City Administrator

hnelson@maplegrovmn.gov

763-494-6010

12800 Arbor Lakes Parkway N, Maple Grove, MN 55369

Fee Structure 2: Arbitrage Consulting Fees

For arbitrage consulting services, Ehlers will assess the following fees:

- » **Five-year rebate calculations:** \$3,750 for five combined years - OR -
- » **Annual/interim calculations:** \$750 for one year
- » **Yield reduction calculations:** Included in fees listed above
- » **Form 8038-T:** \$500 per filing, with preparations and instructions. No additional charge if payment is due



APPENDIX A:

**COMPETITIVE ISSUE
ONBOARDING DOCUMENT
SAMPLE**



Thank you for working with Ehlers on your debt issuance. We're privileged to be able to serve you!

At Ehlers, we work together as a cohesive team to help you successfully navigate every facet of debt issuance and management. We've prepared this guide so you know what exactly what to expect during each phase of your project. If you have questions, please reach out to anyone on [our team of professionals](#).

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PAYING AGENT



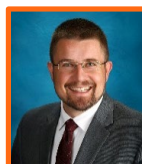
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ARBITRAGE



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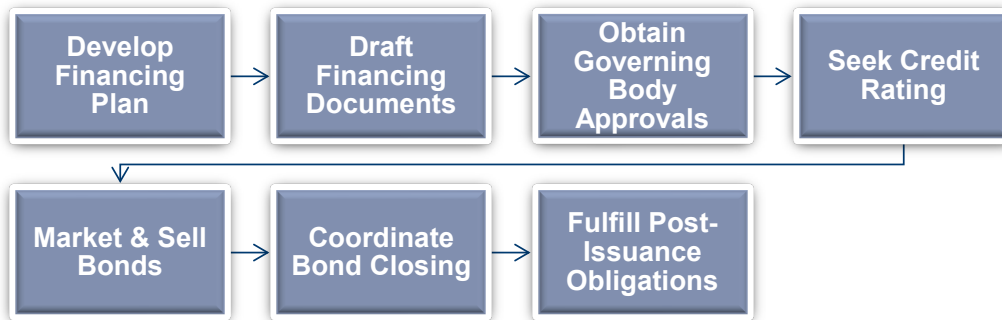
Working with Ehlers

What to expect when issuing debt



Issuing public debt consists of a process with distinct steps. Below is a general overview of the primary tasks and the professionals with whom you'll collaborate.

General Approach Overview:



How It Works:

DEVELOP FINANCING PLAN

Ehlers begins the debt issuance process by assembling your financing team (bond counsel, investment professionals, arbitrage consultants, etc.) to complete the below tasks:

1. Analyze financing feasibility
2. Select type of obligation & statutory authority(ies)
3. Develop preliminary size & structure
4. Determine method of sale
5. Establish preliminary terms & conditions
6. Review issuer's Investment Policy
7. Complete investment draw-down schedule
8. Review for arbitrage considerations (*tax-exempt only*)

DRAFT FINANCING DOCUMENTS

Ehlers and your bond counsel complete the majority of this step and proactively guide you through document review and approval.

1. Draft documents authorizing issuance & sale of the obligations
2. Prepare primary offering, as needed & disclosure documents to market the issue
3. Complete quality control review
4. Review existing policies for debt issuance & management

OBTAIN GOVERNING BODY APPROVALS

This is the key authorization phase of your project. Ehlers and your bond counsel collaborate to draft the necessary documents and assist you in finalizing them and preparing for presentation to the Governing Body.

1. Prepare & adopt any plans required per statute for authorization
2. Submit Pre-Sale Report & Authorizing Resolution to the governing board for authorization to proceed with and issue debt

SEEK CREDIT RATING (IF RATED)

Depending on the nature of your financing, it may be advantageous to seek a credit rating from one or more of the three primary rating agencies. Ehlers helps you prepare interview materials and actively participates in the rating call.

1. Review any need for or advisability of bond insurance
2. Prepare and submit application for State or other forms of credit enhancement
3. Submit request to rating agency for a rating call
4. Prepare presentation materials
5. Review analyst inquiry and draft responses for questions and any others most likely to be asked
6. Participate in rating call & report preparation

MARKET & SELL BONDS

Ehlers seeks to achieve maximum visibility, investor interest, and ultimately, the lowest possible interest cost for your debt issuance. Our bond marketing and sale team work diligently to complete the following tasks:

1. Distribute Preliminary Official Statement to EMMA and any other information repositories
2. Review bids for compliance with terms of sale
3. Compile bid tabulation & recommend bid award
4. Draft Final Issuance, Sale & Award Document for governing body approval
5. Prepare & distribute Final Official Statement

COORDINATE BOND CLOSING

Ehlers' goal is to make bond closing as "invisible" as possible for our clients. We coordinate the closing with all parties, including bond counsel, Depository Trust Company (DTC) and the purchaser (underwriter), to minimize your workload.

1. Draft closing documents
2. Execute closing documents
3. Coordinate & confirm delivery on bond proceeds to issuer Account(s)
4. Remit payments for costs of issuance

FULFILL POST-ISSUANCE OBLIGATIONS

From bond proceeds management and compliance activities to monitoring for refunding opportunities and record keeping, post-issuance obligations last for the life of the debt issuance. Ehlers' integrated advisory team helps you ensure all responsibilities are met accurately and on time.

1. Monitor & adjust bond proceeds investment portfolio, as needed
2. Remit bond payments
3. Conduct arbitrage rebate monitoring & reporting
4. Remit arbitrage rebate payments, as required
5. Complete & disseminate continuing disclosures per the terms of Continuing Disclosure Agreement
6. Monitor market conditions for refunding opportunities
7. Monitor for compliance with covenants
8. Assist with preparation for credit rating surveillance calls
9. Compile & maintain records, as required

Bond Transaction Participants & Roles:

| | |
|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------|
| MUNICIPAL ADVISOR | EHLERS |
| <ul style="list-style-type: none"> • Advises on all aspects of financing plan & calendar • Recommends bond structure, size, timing, terms & method of sale • Prepares official statement & disclosure documents, if not prepared by another party • Compensated via flat fee from bond proceeds | |
| BOND COUNSEL | FRYBERGER, BUCHANAN, SMITH & FREDERICK, P.A. |
| <ul style="list-style-type: none"> • Provides validity, tax & other opinions • Helps support debt authorization under state and federal law • Assists with completing certain sections of the Official Statement • Prepares Agenda Language, Authorizing Resolution, Legal Opinion, Closing Documents & Continuing Disclosure Agreement • Compensated via flat fee from bond proceeds | |
| INVESTMENT PROFESSIONALS | EHLERS INVESTMENT PARTNERS |
| <ul style="list-style-type: none"> • Advises issuer on investment of bond proceeds • Establishes & manages investment portfolio(s) on behalf of client • Compensated via direct, flat or % of assets-based fee agreement | |
| ARBITRAGE CONSULTANTS | EHLERS |
| <ul style="list-style-type: none"> • Monitors arbitrage position & cash flows • Maintains tracking log of key arbitrage dates & allowable investment yields • Completes arbitrage reporting • Advises issuer on IRS inquiries and/or audits • Compensated via direct service contract with issuer | |
| RATING AGENCY | S&P |
| <ul style="list-style-type: none"> • Renders independent credit assessment of issuer & transaction • Monitors issue via ongoing surveillance • Compensated via direct payment from issuer, but does not represent issuer | |
| BOND UNDERWRITER/PURCHASER | TBD |
| <ul style="list-style-type: none"> • Initial purchaser of bonds & sells to investors • Represents its own commercial interests • Compensated via flat fee from bond proceeds | |
| DISSEMINATION AGENT | EHLERS |
| <ul style="list-style-type: none"> • Prepares & remits required and voluntary continuing disclosures on behalf of the issuer • Ensures past compliance efforts accurately reflected in official statements • Respond to underwriter inquiries regarding past compliance • Compensated via direct service contract with issuer, payable over the life of the bonds | |
| PAYING AGENT | EHLERS BOND TRUST SERVICES |
| <ul style="list-style-type: none"> • Facilitates the collection & distribution of funds for bond payments • Holds trust powers • Compensated via direct service contract with issuer, payable over the life of the bonds | |



APPENDIX B:

SAMPLE ARBITRAGE REPORT

Example City, State

\$43,180,000

Example City

General Obligation Improvement Bonds, Series 2021A

County, State

Interim Arbitrage Report

For the period ending July 5, 2022



Prepared by:

Ehlers
3060 Centre Pointe Drive
Roseville, Minnesota 55113

BUILDING COMMUNITIES. IT'S WHAT WE DO.

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Interim Arbitrage Report

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| V. | Exhibit C - Debt Service Payments And Yield On The Bonds | |
| VI. | Exhibit D - Debt Service Account | |
| VII. | Exhibit E - Project Construction Fund | |
| VIII. | Exhibit F - Capitalized Interest Fund | |



April 1, 2022

Mr./Ms. Client Name
 Finance Director
 Example City
 101 1st Street
 City, State Zip

RE: \$43,180,000
Example City
General Obligation Improvement Bonds, Series 2021A
County, State

Dear Mr./Ms. Name:

At the request of the Example City Name, State (“Client”), we have prepared this Interim Arbitrage Report (“Report”) under Section 148 of the Internal Revenue Code of 1986, as amended, and applicable Treasury Regulations (the “Tax Code”), in connection with the above-referenced issue (“Issue”) for the period starting on July 5, 2021 and ending on July 5, 2022 (“Computation Period”). Certain computational methods and assumptions used in this Report are described in the Summary of Computational Information.

Subsequent changes in the tax law, or official interpretations thereon, may require or permit revision of arbitrage reports. We have no obligation to update this Report for the Computation Period because of events occurring, or data or information coming to our attention, subsequent to the date of this Report.

Results of this Report are as follows:

Rebate:

| Bond Yield | Rebate Liability Accrued | Rebate Payment Due |
|------------|--------------------------|--------------------|
| 2.4687751% | (\$856,719.47) | \$0.00 |

Yield Restriction:

| Materially Higher Yield | Yield Reduction Liability Accrued | Yield Reduction Payment Due |
|-------------------------|-----------------------------------|-----------------------------|
| 2.5937751% | \$0.00 | \$0.00 |

In summary, there are no rebate or yield reduction payment(s) associated with the Issue for the Computation Period and no IRS Tax Form 8038-T filing is required at this time. We appreciate the opportunity to provide Arbitrage Monitoring Services to the Example City, State and look forward to working with you in the future.

Sincerely,



Stephen H. Broden
Arbitrage Managing Director
Ehlers

Summary of Computational Information

The following computational assumptions relate to the Computation Period and are based upon relevant sections of the Tax Code, Certificate Documents, and client provided assumptions and information.

1. The Report was prepared in accordance with Section 148 of the Internal Revenue Code of 1986, as amended, and applicable Treasury Regulations, including but not limited to Sections 1.148-1 through 1.148-11.
2. We have reviewed copies of the following information for the Issue:
 - a. Information Return for Tax-Exempt Governmental Obligations Form 8038-G
 - b. Tax Certificate
 - c. Addendum to Preliminary Official Statement
 - d. Closing & Post Sale Report
3. The dated and delivery dates of the Issue is July 5, 2021.
4. The Bond Year is each 1-year period ending on July 5 and the Final Maturity Date of April 1, 2040.
5. The Computation Period starts on July 5, 2021 and ends on July 5, 2022.
6. The Issue has not been refunded or defeased prior to July 5, 2022.
7. The small issuer exception to the rebate requirements does not apply to the Issue because the Issue is governmental and more than \$5 million of tax-exempt debt was issued in the calendar year.
8. Debt service, yield, investment cash flow, and rebate and yield reduction payments, if any, are made or received pursuant to the schedules contained in the attached Exhibits.
 - a. A Fixed yield for the Issue has been calculated based on review of whether the Issue meets the requirement that: (i) the yield is fixed and determinable on the delivery date of an issue, or (ii) the yield is not fixed and determinable on the delivery date of an issue.
 - b. Yield for the Issue has been calculated based on review of the general rules for an issue, providing that two or more obligations are normally part of the same issue if they are: (i) sold at substantially the same time (within 15 days), (ii) sold pursuant to the same plan of financing, and (iii) payable from the same source of funds. Therefore, the Issue constitute a single issue for rebate, yield restriction, and bond yield purposes.
 - i. A 360-day year and semiannual compounding based upon scheduled maturities and applicable mandatory sinking fund redemptions including principal prepayments, if any, and actual interest, if applicable.
 - ii. Those Bonds identified as yield-to-call Bonds, if any, are those Bonds that are subject to optional redemption and that are issued at an issue price that exceeds the stated redemption price at maturity of such Bonds by more than one-fourth of one percent multiplied by the product of the stated redemption price at maturity of such Bonds and the number of complete years to the first optional redemption date for the Bonds.
 - c. The Issue meets the qualifications for the 13-Month and 3-Year temporary period exemption as summarized in Exhibit A.
 - d. Investment earnings on a bona fide debt service fund are exempt from the rebate requirement if the gross earnings on such fund for the bond year are less than \$100,000. The \$100,000 earnings limitation may be ignored if: (i) the Issue is considered a fixed rate governmental issue with average maturity of 5 years, (ii) the Issue average annual debt service does not exceed \$2.5 Million, (iii) the Issue meets the qualifications for the 6-Month, 18-Month, or 24-Month Spending Exception, or (iv.) the debt service payments are anticipated to be made out of an unrestricted operating fund. Any excess fund(s) are summarized in Exhibit A.
 - e. The bona fide debt service fund qualifies for an exception to the yield restriction requirements if: together, the fund(s) and associated accounts identified, together, as a "bona fide debt service fund", is being used to

achieve a proper matching of revenues with principal and interest payments within each Bond Year and is depleted at least once a year except for a reasonable carryover amount which does not exceed the greater of (i) the investment income on gross proceeds in the fund for the immediately preceding Bond Year, or (ii) one-twelfth of the annual debt service payable on the Issue for the immediately preceding Bond Year. Any excess fund(s) are summarized in Exhibit A.

- f. We have verified that per the Minnesota State Statutes Section 475.61, Subdivision 1 through 4, the Issue maintains no more than 105 percent of the tax levy, special assessments or other revenue necessary to pay current debt service. In addition, the Debt Service Account did earn interest income during the Computation Period.
 - g. Fund(s) not so identified by us and excluded from the attached Exhibit(s) are assumed either: (i) not subject to rebate or yield restriction, (ii) not to have non-purpose investment activity, (iii) if not provided (which includes grant monies, if any, received), inclusion of such activity would have a negligible impact on the rebate and yield reduction liability, or (iv) tax-exempt investment(s). Commingled fund(s), if any, are allocated using an appropriate allocation method to allocate gross proceeds to expenditures and revenues. The fund(s) subject to arbitrage rebate or yield restriction are those funds summarized in Exhibit A.
9. The "Future Value" method of determining rebate and yield reduction liability is based upon cash flows created by the investment, sale, and maturity of, and earnings on, gross proceeds. To the extent receipts and payments, including investments and reinvestments, with respect to gross proceeds occur on the same day and in like amount, they offset each other for purposes of determining rebate and yield reduction liabilities. Consequently, under the heading "Relevant Cash Flow" on the following exhibits, only payments and receipts, which are not so offset, are reflected.
 10. To the extent receipts and expenditures with respect to gross proceeds occur on the same day and in like amounts, they offset each other for purposes of determining the rebate or yield reduction amount. This analysis includes only those receipts and expenditures which are not offset.
 11. The scope of our procedures does not include procedures to analyze the private use limitations, if any, associated with the Issue.
 12. We have assumed, as applicable, that:
 - a. Reimbursement of expenditures, if any, incurred during or prior to the Computation Period comply with the specific reimbursement rules.
 - b. Withdrawals or allocations from fund(s) are spent or reasonably expected to be spent within five business days.
 - c. No transferred proceeds exist, with respect to the Issue, other than those identified in the Exhibits, if any.
 - d. No other replacement proceeds exist other than those fund(s) identified in the attached Exhibits or noted herein.
 - e. Any investment fees treated as a reduction of investment income are qualified administrative costs.
 - f. The purchase price of each investment is at fair market value, exclusive of brokerage commissions, administrative expenses, or similar expenses, and representative of an arm's length transaction, which did not reduce the rebate or yield reduction amount required to be paid to the United States Treasury.
 - g. There has been no communication from regulatory agencies to the Client concerning noncompliance with, or deficiencies in, financial accounting or reporting practices that could have a material effect on the computations.

Exhibit A

\$43,180,000
Example City
General Obligation Improvement Bonds, Series 2021A
County, State

SUMMARY OF ARBITRAGE

| | |
|---------------------------------------------------|-----------------------|
| Dated Date | 07-05-21 |
| Delivery Date | 07-05-21 |
| Computation Date | 07-05-22 |
| | |
| Bond Yield (Yield) | 2.4687751% |
| Materially Higher Yield (Restricted Yield) | 2.5937751% |
| Allowable Yield Spread | 0.1250000% |
| | |
| Rebate Amount | <u>(\$856,719.47)</u> |
| Rebate Liability | <u>(\$856,719.47)</u> |
| | |
| Yield Reduction Amount | <u>\$0.00</u> |
| Yield Reduction Liability | <u>\$0.00</u> |

SUMMARY OF ARBITRAGE AMOUNT BY FUND

| <u>Exhibit</u> | <u>Description</u> | <u>Status</u> | <u>Rebate Amount</u> | <u>Yield Reduction Amount</u> |
|----------------|---------------------------|---------------|--------------------------|---------------------------------------|
| D | Debt Service Account | Bona Fide | Exempt | 13-Mo Temp Per |
| E | Project Construction Fund | Active | (\$832,732.07) | 3-Year Temp Per |
| F | Capitalized Interest Fund | Inactive | (23,987.40) | 3-Year Temp Per |
| | | | <u>(\$856,719.47)</u> | <u>\$0.00</u> |

Exhibit B

\$43,180,000
Example City
General Obligation Improvement Bonds, Series 2021A
County, State

SOURCES AND USES OF FUNDS

| | Proceeds |
|-------------------------------|-----------------|
| SOURCES: | |
| Principal Amount Of The Bonds | \$43,180,000.00 |
| Original Issue Premium | 1,762,567.15 |
| | \$44,942,567.15 |
| USES: | |
| Project Construction Fund | \$43,180,000.15 |
| Capitalized Interest Fund | 1,496,394.00 |
| Costs Of Issuance | 266,173.00 |
| | \$44,942,567.15 |

Exhibit C

\$43,180,000
Example City
General Obligation Improvement Bonds, Series 2021A
County, State

DEBT SERVICE PAYMENTS AND YIELD ON THE BONDS

Yield On The Bonds **2.4687751%**

| Dates | Principal Payments | Interest Rate | Interest Payments | Total Debt Service | Adjusted Debt Service (1) | Present Value On |
|----------|------------------------|---------------|------------------------|------------------------|-----------------------------|------------------------|
| | | | | | | 07-05-21 |
| | | | | | | At A Yield Of |
| | | | | | | 2.4687751% |
| 04-01-22 | \$580,000.00 | 2.500% | \$934,796.00 | \$1,514,796.00 | \$1,514,796.00 | \$1,487,580.45 |
| 10-01-22 | | | 625,319.00 | 625,319.00 | 625,319.00 | 606,596.47 |
| 04-01-23 | | | 625,319.00 | 625,319.00 | 625,319.00 | 599,200.02 |
| 10-01-23 | | | 625,319.00 | 625,319.00 | 625,319.00 | 591,893.75 |
| 04-01-24 | | | 625,319.00 | 625,319.00 | 625,319.00 | 584,676.58 |
| 10-01-24 | | | 625,319.00 | 625,319.00 | 625,319.00 | 577,547.41 |
| 04-01-25 | | | 625,319.00 | 625,319.00 | 625,319.00 | 570,505.16 |
| 10-01-25 | | | 625,319.00 | 625,319.00 | 625,319.00 | 563,548.78 |
| 04-01-26 | 1,035,000.00 | 2.500% | 618,850.00 | 1,653,850.00 | 1,653,850.00 | 1,472,305.55 |
| 10-01-26 | | | 618,850.00 | 618,850.00 | 618,850.00 | 544,200.79 |
| 04-01-27 | 2,270,000.00 | 2.000% | 601,031.50 | 2,871,031.50 | 2,871,031.50 | 2,493,926.62 |
| 10-01-27 | | | 601,031.50 | 601,031.50 | 601,031.50 | 515,721.08 |
| 04-01-28 | 2,315,000.00 | 2.000% | 578,106.50 | 2,893,106.50 | 2,893,106.50 | 2,452,189.42 |
| 10-01-28 | | | 578,106.50 | 578,106.50 | 578,106.50 | 484,026.77 |
| 04-01-29 | 2,365,000.00 | 2.000% | 554,706.50 | 2,919,706.50 | 2,919,706.50 | 2,414,752.75 |
| 10-01-29 | | | 554,706.50 | 554,706.50 | 554,706.50 | 453,177.84 |
| 04-01-30 | 2,425,000.00 | 3.000% | 524,694.00 | 2,949,694.00 | 2,949,694.00 | 2,380,423.99 |
| 10-01-30 | | | 524,694.00 | 524,694.00 | 524,694.00 | 418,268.72 |
| 04-01-31 | 2,495,000.00 | 3.000% | 487,794.00 | 2,982,794.00 | 32,677,794.00 | 25,732,024.99 |
| 10-01-31 | | | 487,794.00 | 487,794.00 | | |
| 04-01-32 | 2,575,000.00 | 3.000% | 449,769.00 | 3,024,769.00 | | |
| 10-01-32 | | | 449,769.00 | 449,769.00 | | |
| 04-01-33 | 2,650,000.00 | 3.000% | 410,581.50 | 3,060,581.50 | | |
| 10-01-33 | | | 410,581.50 | 410,581.50 | | |
| 04-01-34 | 2,730,000.00 | 3.000% | 370,231.50 | 3,100,231.50 | | |
| 10-01-34 | | | 370,231.50 | 370,231.50 | | |
| 04-01-35 | 2,815,000.00 | 3.000% | 328,644.00 | 3,143,644.00 | | |
| 10-01-35 | | | 328,644.00 | 328,644.00 | | |
| 04-01-36 | 2,905,000.00 | 3.250% | 283,928.00 | 3,188,928.00 | | |
| 10-01-36 | | | 283,928.00 | 283,928.00 | | |
| 04-01-37 | 3,000,000.00 | 3.250% | 235,950.00 | 3,235,950.00 | | |
| 10-01-37 | | | 235,950.00 | 235,950.00 | | |
| 04-01-38 | 3,100,000.00 | 3.250% | 186,387.50 | 3,286,387.50 | | |
| 10-01-38 | | | 186,387.50 | 186,387.50 | | |
| 04-01-39 | 3,200,000.00 | 3.250% | 135,200.00 | 3,335,200.00 | | |
| 10-01-39 | | | 135,200.00 | 135,200.00 | | |
| 04-01-40 | 3,305,000.00 | 3.250% | 82,347.00 | 3,387,347.00 | | |
| 10-01-40 | | | 82,347.00 | 82,347.00 | | |
| 04-01-41 | 3,415,000.00 | 3.250% | 55,494.00 | 3,470,494.00 | | |
| | <u>\$43,180,000.00</u> | | <u>\$17,063,965.00</u> | <u>\$60,243,965.00</u> | <u>\$54,734,600.00</u> | <u>\$44,942,567.15</u> |

ARBITRAGE TARGET VALUE

| | |
|-------------------------------|------------------------|
| Principal Amount Of The Bonds | \$43,180,000.00 |
| Original Issue Premium | 1,762,567.15 |
| Arbitrage Target Value | <u>\$44,942,567.15</u> |

(1) Assumes that the April 1, 2032 to April 1, 2041 maturities are called on April 1, 2031 at 100 percent of par plus accrued interest.

Exhibit C-1

\$43,180,000
Example City
General Obligation Improvement Bonds, Series 2021A
County, State

ORIGINAL ISSUE PREMIUM ON THE BONDS

| Maturity | Principal | Coupon | Yield | Price | Premium |
|-----------------|------------------------|---------------|--------------|---------------------|-----------------------|
| 04-01-22 | \$580,000.00 | 2.500% | 0.720% | 101.308% | \$7,586.40 |
| 04-01-26 | 1,035,000.00 | 2.500% | 1.340% | 105.307% | 54,927.45 |
| 04-01-27 | 2,270,000.00 | 2.000% | 1.500% | 102.738% | 62,152.60 |
| 04-01-28 | 2,315,000.00 | 2.000% | 1.660% | 102.158% | 49,957.70 |
| 04-01-29 | 2,365,000.00 | 2.000% | 1.830% | 101.220% | 28,853.00 |
| 04-01-30 | 2,425,000.00 | 3.000% | 1.960% | 108.313% | 201,590.25 |
| 04-01-31 | 2,495,000.00 | 3.000% | 2.100% | 107.887% | 196,780.65 |
| 04-01-32 | 2,575,000.00 | 3.000% | 2.260% | 106.434% (1)(2) | 165,675.50 |
| 04-01-33 | 2,650,000.00 | 3.000% | 2.390% | 105.269% (1)(2) | 139,628.50 |
| 04-01-34 | 2,730,000.00 | 3.000% | 2.560% | 103.769% (1)(2) | 102,893.70 |
| 04-01-35 | 2,815,000.00 | 3.000% | 2.700% | 102.551% (1)(2) | 71,810.65 |
| 04-01-36 | 2,905,000.00 | 3.250% | 2.690% | 104.767% (1)(2) | 138,481.35 |
| 04-01-37 | 3,000,000.00 | 3.250% | 2.740% | 104.330% (1)(2) | 129,900.00 |
| 04-01-38 | 3,100,000.00 | 3.250% | 2.790% | 103.896% (1)(2) | 120,776.00 |
| 04-01-39 | 3,200,000.00 | 3.250% | 2.850% | 103.377% (1)(2) | 108,064.00 |
| 04-01-40 | 3,305,000.00 | 3.250% | 2.900% | 102.948% (1)(2) | 97,431.40 |
| 04-01-41 | 3,415,000.00 | 3.250% | 2.950% | 102.520% (1)(2) | 86,058.00 |
| | <u>\$43,180,000.00</u> | | | | <u>\$1,762,567.15</u> |

(1) Maturities are priced to call on April 1, 2031 at 100 percent of par.

(2) Represents the yield-to-call Bonds included for purposes of computing yield on the Bonds.

Exhibit D-2

\$43,180,000
Example City
General Obligation Improvement Bonds, Series 2021A
County, State

DEBT SERVICE ACCOUNT

BONA FIDE DEBT SERVICE FUND AND EXCESS BALANCE TESTING
AS OF 07-05-22

BONA FIDE DEBT SERVICE FUND EXEMPTIONS

Exempt from rebate due to gross annual earnings in the fund of less than \$100,000.

Exempt from yield restriction due to the 13-month temporary period.

EXCESS BALANCE TESTING SUMMARY

| | <u>Ending 07-05-22</u> |
|-------------------|------------------------|
| Rebate | Exempt |
| Yield Restriction | Exempt |

\$43,180,000
Example City
General Obligation Improvement Bonds, Series 2021A
County, State

PROJECT CONSTRUCTION FUND

Rebate Amount (\$832,732.07)
Yield Reduction Amount 3-Year Temp Per
Status Active

ARBITRAGE CASH FLOWS

TOTAL CASH FLOW

| Date | Description | Total Cash Flow | Value As Of | | Total Income | Total Fund Balance |
|----------|-------------------|---------------------|------------------------------|-------------------------------|---------------------|--------------------|
| | | | 07-05-22 At Yield 2.4687751% | Total IRR 07-05-21 0.3229023% | | |
| 07-05-21 | Valuation | (\$43,180,000.15) | (\$44,252,596.65) | (\$43,180,000.15) | \$0.00 | \$43,180,000.15 |
| 07-31-21 | Investment Income | 0.00 | 0.00 | 0.00 | 434.63 | 43,180,434.78 |
| 07-31-21 | Investment Income | 0.00 | 0.00 | 0.00 | 1,400.79 | 43,181,835.57 |
| 08-25-21 | Investment Income | 0.00 | 0.00 | 0.00 | 140.60 | 43,181,976.17 |
| 08-31-21 | Investment Income | 0.00 | 0.00 | 0.00 | 11.45 | 43,181,987.62 |
| 08-31-21 | Investment Income | 0.00 | 0.00 | 0.00 | 6,829.23 | 43,188,816.85 |
| 09-01-21 | Investment Income | 0.00 | 0.00 | 0.00 | 2,400.91 | 43,191,217.76 |
| 09-29-21 | Withdrawal | 1,300,000.00 | 1,324,686.30 | 1,299,021.69 | 0.00 | 41,891,217.76 |
| 09-29-21 | Investment Income | 0.00 | 0.00 | 0.00 | 219.78 | 41,891,437.54 |
| 09-29-21 | Investment Income | 0.00 | 0.00 | 0.00 | 7,878.70 | 41,899,316.24 |
| 10-02-21 | Investment Income | 0.00 | 0.00 | 0.00 | 211.38 | 41,899,527.62 |
| 10-31-21 | Investment Income | 0.00 | 0.00 | 0.00 | 191.44 | 41,899,719.06 |
| 10-31-21 | Investment Income | 0.00 | 0.00 | 0.00 | 7,056.99 | 41,906,776.05 |
| 11-01-21 | Investment Income | 0.00 | 0.00 | 0.00 | 221.72 | 41,906,997.77 |
| 11-22-21 | Withdrawal | 2,500,000.00 | 2,538,287.92 | 2,496,932.30 | 0.00 | 39,406,997.77 |
| 11-30-21 | Investment Income | 0.00 | 0.00 | 0.00 | 0.74 | 39,406,998.51 |
| 11-30-21 | Investment Income | 0.00 | 0.00 | 0.00 | 8,304.85 | 39,415,303.36 |
| 12-01-21 | Investment Income | 0.00 | 0.00 | 0.00 | 221.15 | 39,415,524.51 |
| 12-11-21 | Investment Income | 0.00 | 0.00 | 0.00 | 0.02 | 39,415,524.53 |
| 12-29-21 | Investment Income | 0.00 | 0.00 | 0.00 | 116.09 | 39,415,640.62 |
| 12-31-21 | Investment Income | 0.00 | 0.00 | 0.00 | 6,678.69 | 39,422,319.31 |
| 01-02-22 | Investment Income | 0.00 | 0.00 | 0.00 | 263.50 | 39,422,582.81 |
| 01-25-22 | Investment Income | 0.00 | 0.00 | 0.00 | 146.72 | 39,422,729.53 |
| 01-30-22 | Withdrawal | 2,500,000.00 | 2,526,550.95 | 2,495,411.05 | 0.00 | 36,922,729.53 |
| 01-31-22 | Investment Income | 0.00 | 0.00 | 0.00 | 7,916.95 | 36,930,646.48 |
| 02-01-22 | Investment Income | 0.00 | 0.00 | 0.00 | 631.19 | 36,931,277.67 |
| 02-28-22 | Investment Income | 0.00 | 0.00 | 0.00 | 108.50 | 36,931,386.17 |
| 02-28-22 | Investment Income | 0.00 | 0.00 | 0.00 | 9,326.95 | 36,940,713.12 |
| 03-01-22 | Investment Income | 0.00 | 0.00 | 0.00 | 1,573.29 | 36,942,286.41 |
| 03-08-22 | Investment Income | 0.00 | 0.00 | 0.00 | 108.50 | 36,942,394.91 |
| 03-26-22 | Withdrawal | 3,823,717.13 | 3,849,605.18 | 3,814,783.32 | 0.00 | 33,118,677.78 |
| 03-27-22 | Investment Income | 0.00 | 0.00 | 0.00 | 78.66 | 33,118,756.44 |
| 03-29-22 | Investment Income | 0.00 | 0.00 | 0.00 | 20.53 | 33,118,776.97 |
| 03-29-22 | Investment Income | 0.00 | 0.00 | 0.00 | 1,985.00 | 33,120,761.97 |
| 04-02-22 | Investment Income | 0.00 | 0.00 | 0.00 | 11,312.16 | 33,132,074.13 |
| 04-30-22 | Investment Income | 0.00 | 0.00 | 0.00 | 6.84 | 33,132,080.97 |
| 05-01-22 | Investment Income | 0.00 | 0.00 | 0.00 | 13,612.00 | 33,145,692.97 |
| 06-01-22 | Investment Income | 0.00 | 0.00 | 0.00 | 15,233.23 | 33,160,926.20 |
| 07-02-22 | Investment Income | 0.00 | 0.00 | 0.00 | 18,923.11 | 33,179,849.31 |
| 07-05-22 | Valuation | 33,180,734.23 | 33,180,734.23 | 33,073,851.78 | 884.92 | 0.00 |
| | | \$124,451.22 | (\$832,732.07) | \$0.00 | \$124,451.22 | |

Exhibit E-1

\$43,180,000
Example City
General Obligation Improvement Bonds, Series 2021A
County, State

PROJECT CONSTRUCTION FUND

INVESTMENT VALUATION SUMMARY

| Description | Par Amount | Acquisition Cost | Rate | Yield | Maturity Date | Valuation Date | Valuation | Gain (Loss) |
|-------------------------|-----------------|------------------|------|-------|---------------|----------------|-----------------|-------------|
| Cash/Pooled Investments | \$33,179,849.31 | \$33,179,849.31 | N/A | N/A | N/A | 07-05-22 | \$33,180,734.23 | \$884.92 |
| | \$33,179,849.31 | \$33,179,849.31 | | | | | \$33,180,734.23 | \$884.92 |

INVESTMENT VALUATION DETAIL

| | | | |
|---------------------------|-------------------------|-------------------------------|----------------------------------------|
| Description: | Cash/Pooled Investments | Rate: | N/A |
| Acquisition Date: | N/A | Yield to Maturity: | N/A |
| Maturity Date: | N/A | Disposition Date: | 07-05-22 |
| Par Amount: | \$33,179,849.31 | Accreted Value on Disp. Date: | \$33,179,849.31 |
| Acquisition Cost (Basis): | \$33,179,849.31 | Market Value on Disp. Date: | N/A |
| | | Accrued @ Disposition: | \$884.92 |
| | | Valuation as of | 07-05-22 \$33,180,734.23 |

Exhibit F

\$43,180,000
Example City
General Obligation Improvement Bonds, Series 2021A
County, State

CAPITALIZED INTEREST FUND

Rebate Amount (\$23,987.40)
Yield Reduction Amount 3-Year Temp Per
Status Inactive

ARBITRAGE CASH FLOWS

| Date | Description | TOTAL CASH FLOW | | | | |
|----------|-------------------|-------------------|---------------------------------------------------|-------------------------------------|-------------------|--------------------|
| | | Total Cash Flow | Value As Of 07-05-22 At Yield 2.4687751% | Total IRR 07-05-21 0.3202799% | Total Income | Total Fund Balance |
| 07-05-21 | Receipt | (\$1,496,394.00) | (\$1,533,564.61) | (\$1,496,394.00) | \$0.00 | \$1,496,394.00 |
| 07-31-21 | Investment Income | 0.00 | 0.00 | 0.00 | 84.10 | 1,496,478.10 |
| 08-31-21 | Investment Income | 0.00 | 0.00 | 0.00 | 114.90 | 1,496,593.00 |
| 09-29-21 | Investment Income | 0.00 | 0.00 | 0.00 | 140.20 | 1,496,733.20 |
| 10-31-21 | Investment Income | 0.00 | 0.00 | 0.00 | 156.32 | 1,496,889.52 |
| 10-31-21 | Investment Income | 0.00 | 0.00 | 0.00 | 49.19 | 1,496,938.71 |
| 11-30-21 | Investment Income | 0.00 | 0.00 | 0.00 | 40.00 | 1,496,978.71 |
| 11-30-21 | Investment Income | 0.00 | 0.00 | 0.00 | 317.49 | 1,497,296.20 |
| 12-29-21 | Investment Income | 0.00 | 0.00 | 0.00 | 40.00 | 1,497,336.20 |
| 12-29-21 | Investment Income | 0.00 | 0.00 | 0.00 | 426.24 | 1,497,762.44 |
| 01-31-22 | Investment Income | 0.00 | 0.00 | 0.00 | 27.70 | 1,497,790.14 |
| 01-31-22 | Investment Income | 0.00 | 0.00 | 0.00 | 593.51 | 1,498,383.65 |
| 02-28-22 | Investment Income | 0.00 | 0.00 | 0.00 | 733.74 | 1,499,117.39 |
| 03-26-22 | Investment Income | 0.00 | 0.00 | 0.00 | 819.20 | 1,499,936.59 |
| 04-01-22 | Withdrawal | 1,499,936.59 | 1,509,577.21 | 1,496,394.00 | 0.00 | 0.00 |
| 07-05-22 | Valuation | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| | | \$3,542.59 | (\$23,987.40) | \$0.00 | \$3,542.59 | |

Exhibit F-1

\$43,180,000
Example City
General Obligation Improvement Bonds, Series 2021A
County, State

24-MONTH EXCEPTION TO REBATE

AVAILABLE CONSTRUCTION PROCEEDS

| | <u>Interim</u> | <u>Final</u> |
|--------------------------|------------------------|------------------------|
| Issue Price Of The Bonds | \$44,942,567.15 | \$44,942,567.15 |
| Less: | | |
| Costs Of Issuance | (266,173.00) | (266,173.00) |
| Plus: | | |
| Actual Earnings | | 128,165.46 |
| Total | <u>\$44,676,394.15</u> | <u>\$44,804,559.61</u> |

EXPENDITURE SUMMARY

| Measurement Date | Required Expenditure | | Cumulative Expenditures | | Excess (Deficit) Expenditures |
|------------------------------------------------------------|-----------------------------|----------------|--------------------------------|----------------|--------------------------------------|
| | Percentage | Amount | Percentage | Amount | |
| 07-05-21 | 0.000% | | | | |
| 01-05-22 | 10.000% | \$4,467,639.42 | 8.506% | \$3,800,000.00 | (\$667,639.42) |
| 07-05-22 | 45.000% | 20,104,377.37 | 26.017% | 11,623,653.72 | (8,480,723.65) |
| DeMinimis Amount (Lesser Of): | | | | | 250,000.00 |
| 3 % Of Issue Price Of The Bonds | | | | \$1,348,277.01 | |
| \$250,000 | | | | 250,000.00 | |
| Excess (Deficit) Expenditures and Contingency or DeMinimis | | | | | <u>(\$8,230,723.65)</u> |

Result: Did Not Meet Spend Down



APPENDIX C:

**SAMPLE REFUNDING
REPORT**



January 12, 2023

Jennifer Rhode, Chief Financial Officer
City of Burnsville, Minnesota
100 Civic Center Pkwy
Burnsville, MN 55337-3867

RE: Potential Refunding of Existing Bonds

As your Municipal Advisor one of the services we provide is to monitor your outstanding bond issues and alert you to any potential refunding opportunities. An updated status report for your outstanding debt is attached. It includes general information about your existing debt and a brief comment regarding potential savings based on current market conditions. We will continue to monitor your issues on an ongoing basis and will contact you if we identify refunding opportunities that merit consideration.

If you have any questions about this information, please contact me.

Sincerely,

Ehlers

A handwritten signature in black ink, appearing to read 'Stacie Kvilvang'. The signature is fluid and cursive, with a long horizontal stroke at the end.

Stacie Kvilvang
Senior Municipal Advisor/ Director

A handwritten signature in black ink, appearing to read 'Jason Aarsvold'. The signature is cursive and somewhat stylized.

Jason Aarsvold
Senior Municipal Advisor

Status Report on Refunding of Existing Bond Issues

| Original Bond Amount | Title | Last Maturity | Call Date | Callable Amount | Callable Rates | | Status |
|----------------------|------------------------------------------------------------------------|---------------|------------|-----------------|----------------|--------|-----------------------------------------------------------------------------------------------------------------|
| | | | | | Low | High | |
| \$2,595,000 | General Obligation Improvement Bonds, Series 2007A | 02/01/2023 | 02/01/2018 | \$130,000 | 4.000% | 4.000% | As of January 12, 2023, we estimate that this refunding would not generate sufficient savings to be considered. |
| \$4,920,000 | General Obligation Tax Increment Bonds, Series 2012A | 12/20/2027 | 12/20/2020 | \$1,205,000 | 2.000% | 2.000% | As of January 12, 2023, we estimate that this refunding would not generate sufficient savings to be considered. |
| \$3,005,000 | General Obligation Utility Revenue Bonds, Series 2012B | 12/20/2027 | 12/20/2020 | \$990,000 | 2.000% | 2.000% | As of January 12, 2023, we estimate that this refunding would not generate sufficient savings to be considered. |
| \$1,340,000 | General Obligation Improvement Bonds, Series 2012C | 12/20/2027 | 12/20/2020 | \$320,000 | 2.000% | 2.000% | As of January 12, 2023, we estimate that this refunding would not generate sufficient savings to be considered. |
| \$4,100,000 | General Obligation Improvement and Utility Revenue Bonds, Series 2013A | 12/20/2028 | 12/20/2020 | \$780,000 | 3.000% | 3.500% | As of January 12, 2023, we estimate that this refunding would not generate sufficient savings to be considered. |
| \$5,325,000 | General Obligation Improvement and Utility Revenue Bonds, Series 2014A | 12/20/2029 | 12/20/2021 | \$1,940,000 | 2.000% | 3.000% | As of January 12, 2023, we estimate that this refunding would not generate sufficient savings to be considered. |

APPENDIX C: SAMPLE CLIENT REFUNDING REPORT

| Original Bond Amount | Title | Last Maturity | Call Date | Callable Amount | Callable Rates | | Status |
|----------------------|-------------------------------------------------------------------------------|---------------|------------|-----------------|----------------|--------|-----------------------------------------------------------------------------------------------------------------|
| | | | | | Low | High | |
| \$2,970,000 | General Obligation Improvement and Utility Revenue Bonds, Series 2015A | 12/20/2030 | 12/20/2023 | \$810,000 | 2.000% | 2.750% | As of January 12, 2023, we estimate that this refunding would not generate sufficient savings to be considered. |
| \$7,030,000 | General Obligation Tax Abatement Refunding Bonds, Series 2015B | 12/20/2027 | 12/20/2023 | \$6,285,000 | 2.000% | 2.250% | As of January 12, 2023, we estimate that this refunding would not generate sufficient savings to be considered. |
| \$6,475,000 | General Obligation Tax Abatement Refunding Bonds, Series 2016A | 12/20/2023 | - | - | - | - | These bonds are not callable. |
| \$6,247,194 | Taxable General Obligation Water Revolving Fund Loan (PFA), Series 2016 | 08/20/2036 | - | - | - | - | These bonds are not callable. |
| \$2,510,000 | General Obligation Improvement and Utility Revenue Bonds, Series 2016B | 12/20/2031 | 12/20/2024 | \$1,100,000 | 1.650% | 2.125% | As of January 12, 2023, we estimate that this refunding would not generate sufficient savings to be considered. |
| \$14,320,000 | General Obligation Bonds, Series 2017A | 12/20/2032 | 12/20/2026 | \$6,610,000 | 2.100% | 2.950% | As of January 12, 2023, we estimate that this refunding would not generate sufficient savings to be considered. |
| \$7,665,000 | General Obligation Tax Abatement, Improvement and Utility Bonds, Series 2018A | 12/20/2033 | 12/20/2026 | \$2,200,000 | 3.000% | 3.250% | As of January 12, 2023, we estimate that this refunding would not generate sufficient savings to be considered. |

APPENDIX C: SAMPLE CLIENT REFUNDING REPORT

| Original Bond Amount | Title | Last Maturity | Call Date | Callable Amount | Callable Rates | | Status |
|----------------------|-----------------------------------------------------------------------------------|---------------|------------|-----------------|----------------|--------|-----------------------------------------------------------------------------------------------------------------|
| | | | | | Low | High | |
| \$6,790,000 | General Obligation Improvement, Utility Revenue and Refunding Bonds, Series 2019A | 12/20/2034 | 12/20/2027 | \$1,290,000 | 5.000% | 5.000% | As of January 12, 2023, we estimate that this refunding would not generate sufficient savings to be considered. |
| \$2,678,197 | Taxable General Obligation Water Revenue Note (PFA), Series 2020B | 08/20/2040 | - | - | - | - | These bonds are not callable. |
| \$18,515,000 | General Obligation CIP, Improvement and Refunding Bonds, Series 2020A | 12/20/2040 | 12/20/2030 | \$9,660,000 | 2.000% | 4.000% | As of January 12, 2023, we estimate that this refunding would not generate sufficient savings to be considered. |
| \$110,130 | Storage Equipment Lease, 2021 | 03/01/2023 | - | - | - | - | These bonds are not callable. |
| \$8,765,000 | General Obligation Equipment, Improvement and Utility Revenue Bonds, Series 2022A | 02/01/2038 | 02/01/2032 | \$3,690,000 | 4.000% | 4.000% | As of January 12, 2023, we estimate that this refunding would not generate sufficient savings to be considered. |



PART II:

COST PROPOSAL CONTENT

Fee Structure 1: Fixed Rate Bonds

Ehlers may not always be the price leader for financial advisory services. **We are the value leader.**

The following attributes demonstrate the value that sets us apart from competing firms:

- » Entirely local client service teams with unsurpassed technical skill sets across all aspects of the City's desired scope of services who work collaboratively to deliver creative, yet practical, solutions.
- » Firm-wide commitment to client service, with advisory and support teams structured to provide the highest level of availability to ensure client needs are met.
- » First-hand experience in governmental leadership roles, including finance and community development.
- » An integrated and comprehensive suite of advisory solutions that make the whole greater than the sum of its parts. One call solves it all.

Our fee/cost schedules relative to the scope of services is as follows:

All-inclusive Fees per Bond Issue

General Obligation Bonds & Capital Notes:

| Par Amount | Fee/\$1,000 |
|-----------------------------|-------------|
| Minimum/Base Fee = \$12,000 | |
| First \$2 million | \$3.50 |
| Next \$3 million | \$2.75 |
| Next \$5 million | \$2.00 |
| Next \$10 million | \$1.00 |
| Next \$30 million | \$0.50 |
| Next \$50 million | \$0.10 |
| Over \$100 million | \$0.05 |

Examples:

| Bond Size | Total Fee |
|--------------|--------------------------------------------------|
| \$1 million | \$15,500 [$\$12,000 + (2,000 \times \$3.50)$] |
| \$5 million | \$27,250 [$\$15,500 + (3,000 \times \$2.75)$] |
| \$10 million | \$37,250 [$\$27,250 + (5,000 \times \$2.00)$] |
| \$20 million | \$47,250 [$\$37,250 + (10,000 \times \$1.00)$] |

Other Types of Obligations:

| Obligation Type | % of G.O. Bond Fee Schedule |
|----------------------------|-----------------------------|
| Revenue Bonds | 125% |
| Lease Revenue Bonds & COPs | 125% |
| Leases | 100% |

- » Contemporaneously sold issues with the same security are charged with the largest issue at full fee and all other issues at 85% of the fee schedule.
- » Advance refunding issues require an additional \$2,500 for added technical support per issue.
- » Use of open market securities within a defeasance escrow requires an additional \$1,000 per escrow.
- » Debt issues not requiring an official statement shall carry fees at 80% of the applicable fee for general or revenue-secured obligations that require an official statement, but in no case less than \$7,500.
- » Ehlers will charge flat fees of \$1,500 - \$5,000 in addition to the standard bond fee for authoring of or consultation on planning documents or reports required for authorization of debt issuance, which fee shall include meeting attendance (i.e. Capital Improvement Plans, Street Reconstruction Plans, Tax Abatement, etc.). Such fee and scope of work shall be agreed upon between Client and Ehlers in advance.

The City will be responsible for credit rating fees, legal services, publication of notices (if any), paying agent fees (if any), escrow agent fees (if any), verification agent (if any), and any fees charged by third parties for information required for the official statement.

Ehlers bond fees are typically contingent on closing. However, there are occasions where we do bill upon abandonment of a financing, or establish milestone billing for certain

segments of an overall scope of work under a bond services engagement. Any such fee arrangement would be disclosed to the City in advance and we are always willing to discuss the compensation structure for any engagement.

Non-Bond Related Fees

Most non-bond related advisory services requested by the City will be billed on an hourly basis, according to the following rates:

| Position | Rate |
|--------------------------|------------|
| Senior Municipal Advisor | \$275/hour |
| Municipal Advisor | \$250/hour |
| Financial Analyst | \$225/hour |
| Senior Fiscal Consultant | \$260/hour |
| Fiscal Consultant | \$235/hour |

Example Project Estimates

| Scope of Work | Fee Structure |
|------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Financial Management Planning, Financial Analysis and Debt Management. | <p>Financial Management Plans, Utility Rate Studies and other fiscal studies are generally quoted on a flat-fee or hourly not to exceed basis. We will prepare an estimate and obtain City approval prior to commencing work. Estimate ranges, depending on scope and data, are as follows:</p> <p>Financial Management Plans: \$10,000 - \$30,000 Utility Rate Studies: \$10,000 - \$30,000</p> <p>Debt Management is generally part of our all-inclusive debt issuance fees.</p> |
| Capital Budget Programming | <p>Capital Budget Programming is generally a part of our all-inclusive debt issuance fees. However, If this service is completely independent of any debt planning, Ehlers will bill hourly at the rates stated above.</p> |

FEE STRUCTURE 1: FIXED RATE BONDS

Debt Issue Development and Oversight

Unless special circumstances warrant, this services is provided as part of our all-inclusive debt issuance fees.

| Scope of Work | Fee Structure |
|----------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Investment Program, Arbitrage Rebate Management and Continuing Disclosures | Investment Management, Arbitrage Consulting and Continuing Disclosure Services fees are set forth below. Please note: Investment Services require a separate engagement contract with our affiliate, Ehlers Investment Partners, LLC. |

Continuing Disclosure Fees

Ehlers will assess Continuing Disclosure fees as follows:

| Continuing Disclosure Undertakings | Annual Fee |
|------------------------------------|------------|
| One (1) to three (3) CDU's | \$2,800 |
| Four (4) to six (6) CDU's | \$3,300 |
| Seven (7) or more CDU's | \$3,800 |

Estimated Out-of-Pocket Expense per Issue

Ehlers does not charge for reimbursable expenses, mileage/travel, or out-of-pocket costs related to debt issuance.